PLAZA

PLAZACORP RETAIL PROPERTIES LTD.

ANNUAL REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED
DECEMBER 31, 2006**

DATED: APRIL 5, 2007

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PRESIDENTS MESSAGE

Fellow Shareholders:

We are pleased to report on our results for the fourteen months ended December 31, 2006. Our portfolio of properties and our financial strength have grown substantially over this period. The Management Discussion and Analysis and Consolidated Financial Statements following these remarks provide a comprehensive review of our activities during the period ended December 31, 2006.

During the 14 months ended December 31, 2006, our acquisition and development activity grew the current portfolio from an interest in 55 to 74 properties as at December 31, 2006. Our business continues to grow as we have added new development properties subsequent to December 31, 2006. The properties acquired are representative of our investment strategy to develop assets that meet our strict investment criteria and impact positively on our future cash flow.

During the 14 months ended December 31, 2006, Plazacorp was able to substantially increase the Company’s net property operating income and funds from operations while growing our asset base to $230 million, an increase of 33% over 2005.

We were actively engaged in raising new capital in order to support Plazacorp’s strong growth. During the 14 months ended December 31, 2006, we issued $7.5 million of 8% Mortgage Bonds and $1.3 million of 8% Subordinate Debentures, $5.0 million of 7% Convertible Debentures and retired $2.525 million of 12% Mortgage Bonds.

Our latest financial results confirm Plazacorp’s ability to source, lease, develop, finance and operate new retail development opportunities across Atlantic Canada, Quebec and Ontario. This success has resulted in a 20% increase in our annual dividend to 15.0¢ per share for 2007, up from 12.5¢ per share in 2006. This represents the fourth consecutive annual dividend increase.

Going forward, we will continue to grow our business through the development and re-development of retail properties across our geography. We will maintain our customary focus and determination in order to develop high quality new retail developments. These new developments, in conjunction with our ability to achieve high occupancies levels for our existing properties, will continue to produce positive long-term results for the benefit of our shareholders.

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

Sincerely,

Michael Zakuta

President and CEO

PART I

CHANGE IN YEAR END

The Company has changed the year end for financial reporting for the fiscal year beginning November 1, 2005 to end on December 31, 2006, changed from October 31, 2006 and reporting on the 14 months ended December 31, 2006. See our notice posted February 24, 2006 on www.sedar.com for further details. This change was effected to bring the Company's reporting period in line with most public real estate entities and to relieve the administrative burdens associated with multiple year end processes for subsidiary and joint-venture entities.

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 14 months ended December 31, 2006 should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the 14 months ended December 31, 2006, with the MD&A for the year ended October 31, 2005, including the section on "Risks and Uncertainties", and with the consolidated financial statements and the notes thereto for the year ended October 31, 2005. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Company's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Company to differ materially from the forward looking statements contained in this MD&A. Such factors include, but are not limited to, economic and competitive real estate conditions.

These forward-looking statements are made as of April 5, 2007 and Plazacorp assumes no obligation to update or revise them to reflect new events or circumstances.

This Management Discussion and Analysis has been reviewed and approved by management of the Company, the Audit Committee of the Board of Directors and the Board of Directors.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

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

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

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds financing costs (interest plus amortization of deferred finance charges).
2. Debt Service Coverage Ratio is defined as the multiple by which EBITDA exceeds the total of financing costs plus recurring monthly principal debt repayments.

Funds From Operations (FFO) is an industry measure and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). Plazacorp has adopted the REALpac white paper on FFO dated November 2004 as the basis for computing the FFO. FFO as calculated by Plazacorp may not be comparable to similar titled measures reported by other entities. FFO should not be considered as an alternative to net income or any other operating or liquidity measure provided by GAAP. FFO is an industry standard for measuring operating results exclusive of amortization, future income taxes and gains or loss on property disposition. Plazacorp considers FFO a meaningful additional measure as it primarily rejects the assumption the value of real estate investments diminish predictably over time.

PART II

PERFORMANCE SUMMARY

The 14 months ended December 31, 2006 has been a very active time for Plazacorp. The Company invested $52 million during the 14 months ended December 31, 2006 on properties acquired and/or developed in 2005 and 2006. Thirteen properties became income producing during the 14 month period contributing $827 thousand to FFO. The Company expects development activities commenced in 2006 and land acquired for developments during 2006 and thus far in 2007 to increase its income producing assets significantly over the next year. Currently there are 10 properties under development and 1 land assembly in progress.

The key performance indicators discussed throughout the MD&A are summarized below. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A. Management believes that its key performance indicators allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders.

Funds From Operations (FFO)	For the 14 months ended December 31, 2006 FFO was up $4.3 million over the prior reporting period for the 12 months ended October 31, 2005. Of this increase $2.7 million (47%) represents the growth in FFO for the 12 months ended October 31, 2006 and the remainder, $1.6 million relates to the additional 2 months contained in the reporting period.
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	For the 14 months ended December 31, 2006, EBITDA was up $7.8 million over the prior reporting period for the 12 months ended October 31, 2005. Of this increase $4.1 million (27%) represents growth in EBITDA for the 12 months ended October 31, 2006 and the remainder, $3.7 million relates to the additional 2 months contained in the reporting period.
Debt Service Ratios	Stable at 1.8 times interest coverage and 1.5 times total debt service coverage.
Same-asset Net Property Operating Income	For the 14 months ended December 31, 2006 same-asset property net operating income was up $3.0 million over the prior reporting period for the 12 months ended October 31, 2005. Of this increase $523 thousand (4%) represents growth in same-asset property net operating income for the 12 months ended October 31, 2006 and the remainder, $2.5 million relates to the additional 2 months contained in the reporting period.
Weighted Average Cost of Debt	Dropped 51 basis points from October 31, 2005 to December 31, 2006.
Occupancy	Down slightly overall to 96.7% from 96.8%. Primarily due to renovation and anchor repositioning in enclosed malls and minor vacancy in new income producing properties.

Plazacorp's ten largest tenants based upon current monthly gross rents represent approximately 44% of total revenues in place at year end.

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	16.1%	6. Michaels	2.5%
2. Dollarama	6.2%	7. Bulk Barn	2.2%
3. Marks Work Wearhouse	4.9%	8. Empire Theatres	1.7%
4. Staples	4.3%	9. Canadian Tire	1.7%
5. Reitmans	2.6%	10. Winners	1.4%

The leasing of the Company's portfolio has produced a mix of National, Regional, and Local tenancy that is well positioned to resist downturns in our markets and helps stability of continuing cash flows to fund operations and dividends.

As at	**December 31, 2006**	October 31, 2005
National	**83.4%**	81.6%
Regional	**6.6%**	6.7%
Local & Non Retail	**10.0%**	11.7%

OUTLOOK

The primary benefit to Shareholders of the Company's performance and tenant profile is reliable cash flow and, over time, increasing dividends. Dividends to shareholders in 2006 were 12.5¢ per share and for 2007 were increased to 15.0¢ by the resolution of the Board of Directors. Performance to date has demonstrated the strength of current strategies and operating capabilities and, barring any unforeseen events, Management is confident of delivering solid performance in 2007, as well as a significant growth to the size of the portfolio.

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

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

➢ ***KEY PERFORMANCE INDICATOR***

Plazacorp's Summary of FFO for the 14 months ended December 31, 2006, compared to the 12 months ended October 31, 2006 and October 31, 2005 are presented below:

(000's – except per share amounts) **For the Periods Ended**	**14 Months Ended December 31, 2006**	**12 Months Ended October 31, 2006**	12 Months Ended October 31, 2005
Total revenues	**$ 41,998**	**$ 35,363**	$ 28,716
Basic earnings (loss) per share	**$ 0.075**	**$ 0.070**	$ (0.006)
Diluted earnings (loss) per share	**$ 0.075**	**$ 0.069**	$ (0.006)
Net income (loss)	**$ 3,019**	**$ 2,804**	$ (224)
Gain on disposals of surplus land	**(3,108)**	**(3,112)**	-
Income tax expense	**1,409**	**1,407**	183
Amortization	**8,915**	**7,591**	6,515
Non-controlling interests	**298**	**227**	194
Financing costs	**12,613**	**10,486**	8,640
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**23,146**	**19,403**	15,308
Less:			
Financing costs	**(12,613)**	**(10,486)**	(8,640)
Current income tax expense	**(114)**	**(75)**	(21)
Non-cash debenture interest	**118**	**94**	122
Equity accounting and non-controlling interests adjustments to FFO	**(340)**	**(321)**	(890)
Corporate amortization	**(53)**	**(45)**	(53)
Basic FFO	**10,144**	**8,570**	5,826
Interest on dilutive convertible debentures	**664**	**730**	1,264
Diluted FFO	**$ 10,808**	**$ 9,300**	$ 7,090
Basic weighted average shares outstanding	**40,151**	**39,872**	35,212
Basic FFO per share	**$ 253**	**$ 0.215**	$ 0.165
Diluted shares outstanding per consolidated financial statements	**40,723**	**40,782**	35,508
Diluted effect of convertible debentures	**4,247**	**5,146**	9,201
Total diluted weighted average shares outstanding	**44,970**	**45,928**	44,709
Diluted FFO per share	**$ 0.240**	**$ 0.202**	$ 0.159

➢ ***KEY PERFORMANCE INDICATOR***

Earnings before interest, taxes, depreciation and amortization (EBITDA)	**$**	**23,146**	$	19,403	$	15,308
Financing costs – including amortization of deferred financing costs	**$**	**12,613**	$	10,486	$	8,640
Periodic mortgage principal repayments		**2,659**		2,255		1,771
Total debt service	**$**	**15,272**	$	12,741	$	10,411
Debt Coverage Ratios						
Interest coverage ratio		**1.8**		1.9 times		1.8 times
Debt service coverage ratio		**1.5**		1.5 times		1.5 times

Diluted FFO includes the impact of convertible debentures not dilutive to earnings (see note 16c of the consolidated financial statements December 31, 2006).

Significant conversions of convertible debentures, combined with the use of low rate debt to fund the majority of capital requirements has lessened the relevance of ratio's excluding convertible debt and these ratio's have been discontinued for this MD&A.

The Company is continuing a significant development and redevelopment program. Funds invested in completed developments and re-developments contributed significantly to FFO in 2006. The Company continues its development program and anticipates future additions will further enhance FFO.

For the 14 months ended December 31, 2006 FFO was up $4.3 million over the prior reporting period for the 12 months ended October 31, 2005. Of this increase $2.7 million (47%) represents the growth in FFO for the 12 months ended October 31, 2006 and the remainder, $1.6 million, relates to the additional 2 months contained in the reporting period. On a per share basis FFO was 25.3¢ per share (24.0¢ diluted) for the 14 months ended December 31, 2006 compared to 21.5¢ per share (20.2¢ diluted) for the 12 months ended October 31, 2006 which was up from 16.5¢ per share (15.9¢ diluted) for the 2005 year.

Debt Services ratios are consistent with managements expectations and are acceptable and indicative of the continued ability to adequately service the Company's debt and maintain stable cash flows. These ratios are in excess of required debt covenants in Company borrowing arrangements.

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the entire 26 months ended December 31, 2006. The following table includes properties that were developed or acquired subsequent to November 1, 2004 and became income producing properties as noted:

2006 Transactions

Property	**Property Type**	**Square Footage**	**Ownership**	**Quarter Became Income Producing**
Miramichi Power Center Phase 2, Miramichi, NB	Strip Plaza	19,239	100%	Q3 06
15260 Yonge Street, Aurora, ON	Strip Plaza	14,177	50%	Q3 06
UAS Plaza, Charlottetown, PE	Strip Plaza	23,386	100%	Q4 06
St. Anne Street Plaza, Bathurst, NB	Strip Plaza	25,213	100%	Q4 06
St. Peters Avenue Plaza, Bathurst, NB	Strip Plaza	22,848	100%	Q5 06
Conception Bay South Plaza, Conception Bay South, NL	Single Use	21,220	100%	Q5 06
Kenmount Road Plaza, St. John's, NL	Strip Plaza	21,404	100%	Q5 06
Bay Roberts Plaza, Bay Roberts, NL	Single Use	20,468	100%	Q5 06
TS Magog Plaza, Magog, QC	Single Use	17,452	50%	Q5 06
Village Shopping Centre, St. John's, NL	Enclosed	451,683	19.2%	Q2 06

Properties transferred to income producing property status in the 14 months ended December 31, 2006 have added $827 thousand to FFO - a partial years contribution, and excluding the Village Shopping Center which contributed $231 thousand to investment income.

2005 Transactions **Property**	**Property Type**	**Square Footage**	**Ownership**	**Quarter Became Income Producing**
Les Promenades du Cuivre, Rouyn-Noranda, QC	Enclosed	124,598	100%	Q4 05
Miramichi Power Centre Phase 1, Miramichi, NB	Strip Plaza	38,350	100%	Q4 05
912 East River Road, New Glasgow, NS	Single Use	16,912	100%	Q3 05
303 Main Street, Antigonish, NS	Strip Plaza	21,131	100%	Q3 05
Champlain Plaza, Dieppe, NB	Strip Plaza	48,208	100%	Q1 06
Gateway Mall, Sussex, NB	Enclosed	142,303	25%	Q1 05
Tacoma Shoppers, Dartmouth, NS	Single Use	29,654	100%	Q4 05
110 Crown Street, Saint John, NB	Strip Plaza	28,793	100%	Q4 06
Pleasant Street Plaza, Yarmouth, NS	Strip Plaza	25,500	100%	Q3 06

The contribution to FFO growth by the same-asset pool was $398 thousand for the 12 months ended October 31, 2006 with a proportionate increase for the additional 2 months in the reporting period ended December 31, 2006.

The year-to-date FFO was also influenced positively by $145 thousand in lease termination fees. The impact of the reduction in management fees to 4% from 5% and the agreement of the Chief Executive Officer, Michael Zakuta, to end salary payments by the Company, contributed approximately $500 thousand to FFO year-to-date. The third-party costs of a mortgage substitution at Grand Falls to facilitate redevelopment caused a reduction in FFO of $77 thousand. These factors, favorable winter costs and several minor matters combined to produce a current period FFO consistent with management's expectations for the Company during this development period.

PROPERTY AND CORPORATE PERFORMANCE 2006 AND 2005

- ***KEY PERFORMANCE INDICATOR***

SAME-ASSET NET PROPERTY OPERATING INCOME

(000's) **For the Periods Ended**	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005	Change over 2005 Results 14 Months Ended	 12 Months Ended
Same-asset rental revenue	**$ 29,300**	$ 25,066	$ 24,528	$ 4,772	$ 538
Transaction rental revenue	**11,943**	9,804	3,571	8,372	6,233
Total rental revenue	**41,243**	34,870	28,099	13,144	6,771
Same-asset operating expenses	**6,794**	5,790	6,080	714	(290)
Transaction operating expenses	**3,429**	2,842	1,168	2,261	1,674
Total operating expenses	**10,223**	8,632	7,248	2,975	1,384
Same-asset realty tax expense	**5,215**	4,463	4,158	1,057	305
Transaction realty tax expense	**1,885**	1,549	562	1,323	987
Total realty tax expense	**7,100**	6,012	4,720	2,380	1,292
Total expenses	**17,323**	14,644	11,968	5,355	2,676
Same-asset net property operating income	**17,291**	14,813	14,290	3,001	523
Transaction net property operating income	**6,629**	5,413	1,841	4,788	3,572
Total net property operating income	**$ 23,920**	$ 20,226	$ 16,131	$ 7,789	$ 4,095
Operating margin for net property operating income	**58.0%**	58.0%	57.4%		

The majority of the increase in revenue from properties was attributable to new acquisitions, developments and re-developments during 2006 and 2005.

For the 14 months ended December 31, 2006 same-asset property net operating income was up $3.0 million over the prior reporting period for the 12 months ended October 31, 2005. Of this increase $523 thousand (4%) represents growth in same-asset property net operating income for the 12 months ended October 31, 2006 and the remainder, $2.5 million relates to the additional 2 months contained in the reporting period.

Significant portions of the Company’s leases (51.5%) have common costs recoveries (excluding taxes), linked to the consumer price index (CPI). As a result, certain costs, may not be completely offset by cost recoveries in a period where the cost increase exceeds overall inflation. Most tenants in strip plazas and single use properties are responsible for their own utilities and therefore these costs do not significantly impact on CPI or other cost recovery formulas. There were no material operational variances within the same asset pool other than favorable winter cost conditions for the 2005/2006 winter season.

INVESTMENT INCOME

For the 14 months ended December 31, 2006 investment income was up $138 thousand over the prior reporting period for the 12 months ended October 31, 2005. This increase is the result of a decline in investment income for the 12 months ended October 31, 2006, due principally to the consolidation of the results of Plaza LPC Commercial Trust at September 1, 2005 and offset by several factors. These factors include, operating income from the Centennial Plaza and Marche De L’Ouest that were below expectations due to vacancies which we expect to lease during 2007. Operating income from the Village Shopping Centre is above expectations and contributed $231 thousand for the 14 months ended December 31, 2006.

ADMINISTRATIVE EXPENSES

For the 14 months ended December 31, 2006, administrative expenses are up $64 thousand over the prior reporting period for the 12 months ended October 31, 2005. This increase is comprised of a decrease of $53 thousand for the 12 months ended October 31, 2006, relating to the ceasation of salary to Michael Zakuta and several minor factors. This was offset by cost of $117 thousand in the additional 2 month reporting period. Given reporting and certification requirements for a public entities such as Plazacorp, it is reasonable to conclude that administrative expenses will escalate by rates exceeding general inflation during 2007.

GAIN ON DISPOSALS OF INCOME PRODUCING PROPERTIES

During the 14 months ended December 31, 2006 the Company disposed of land, surplus to developments at three properties to anchor tenants in Miramichi, Grand Falls, and Oromocto for a gain of $3.1 million.

AMORTIZATION

For the 14 months ended December 31, 2006 amortization expense increased $2.4 million over the prior reporting period for the 12 months ended October 31, 2005. Of this increase $1.1 million represents the growth in amortization expense for the 12 months ended October 31, 2006 and the remainder, $1.3 million relates to the additional 2 months contained in the reporting period, and the impact of assets transferred to income producing status during the last two months of the reporting period.

(000's) For the Periods Ended	14 Months Ended December 31, 2006	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005	Change over 2005 Results 14 Months Ended	Change over 2005 Results 12 Months Ended
Same-asset amortization	**$ 5,909**	$ 5,125	$ 5,287	$ 622	$ (162)
Transactions	**3,006**	2,466	1,228	1,778	1,238
Total amortization	**$ 8,915**	$ 7,591	$ 6,515	$ 2,400	$ 1,076

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the 14 months ended December 31, 2006 the Company and it subsidiaries recorded $559 thousand in capital taxes compared to $534 thousand in the 12 months ended October 31, 2005. Capital taxes are a point-in-time calculation based on period-end balances and are allocated over various provincial jurisdictions. Additions to assets attract capital tax at full annual rates regardless of when an asset is purchased and significant fluctuations in this expense may occur from time-to-time. Debt incurred on properties under development attract capital taxes without a corresponding increase in income. The Federal, New Brunswick and Nova Scotia governments have announced the repealing or phase out of capital taxes and the Company expects a significant slowing of growth for these taxes, with a decline possible after 2008.

INCOME TAX EXPENSE (RECOVERY)

The Company records income taxes based on its estimate for the taxes for the full fiscal year and the impact of temporary differences between accounting and taxable income during the year. The financial statements include the current and future income taxes payable by consolidated subsidiaries. All current income taxes were those of subsidiaries. As a mutual fund corporation, the Company does not provide for current taxes on realized capital gains. See Note 15 to the consolidated financial statements for a complete explanation of taxation balances and yearly expense.

(000's) For the Periods Ended	14 Months Ended December 31, 2006	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005
Current income taxes	**$ 114**	$ 75	$ 21
Future income taxes	**1,295**	1,332	162
Total	**$ 1,409**	$ 1,407	$ 183

SUPPLEMENTAL DISCLOSURE – FUNDS FROM OPERATIONS (FFO)

(000's) For the Periods Ended	14 Months Ended December 31, 2006	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005
Non Cash Items Included in FFO:			
Straight line rent included in revenue	**$ 672**	$ 530	$ 838
Above and below market rent included in revenue	**263**	229	211
Amortization of deferred finance charges including in financing costs	**713**	608	402
Capital Expenditures for Properties Transferred to Income Producing Status:			
Square feet	**302,960**	210,099	235,662
Building cost per square foot (excluding land)	**$ 77.09**	$ 74.43	$ 71.10
Tenant acquisition cost per square foot	**24.57**	22.55	25.30
Total cost for properties transferred to income producing status	**$ 101.66**	$ 96.98	$ 96.40

Tenant Acquisition Costs Detailed in Operating Activities per the Statement of Cash Flows:			
Tenant acquisition cost for same asset properties – including anchor tenant relocations	**$ 3,119**	$ 2,939	$ 1,085
Tenant acquisition costs for transactions	**8,089**	5,314	5,322
Total tenant acquisition cost	**$ 11,208**	$ 8,253	$ 6,407
Additions from Property Acquisitions, Developments and Re-developments:			
Developments and re-developments	**$ 57,183**	$ 46,105	$ 38,985
Acquisitions	**1,017**	1,017	7,769
Total gross additions from property acquisitions, developments and re-developments	**$ 58,200**	$ 47,122	$ 46,754

OVERVIEW OF BUSINESS

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

Headquartered in Fredericton, New Brunswick, Plazacorp acquires, develops and re-develops retail real estate throughout Atlantic Canada, Quebec and Ontario. The Company's portfolio as at December 31, 2006 includes interests in 74 properties totaling over 4.1 million square feet and additional lands held for development. These include properties directly held by Plazacorp and its subsidiaries as well as investments in joint ventures. During 2006 and 2005 Plazacorp was primarily involved in the development of new real estate assets. This trend will likely continue with $30.7 million committed thus far to new development in 2007.

BUSINESS ENVIRONMENT

Leasing and investment markets were healthy in 2006. Retail occupancies and rents have remained stable due to the strength of consumer spending. We witnessed low inflation in 2006 and throughout 2005. This combined with a low cost of debt, in comparison to recent history, has permitted Plazacorp to place its debt at favourable rates and terms. The low interest rate environment has also resulted in a more competitive acquisition environment, resulting in higher asking prices for quality real estate product with corresponding lower initial returns. Within in this business environment Plazacorp remains committed to its disciplined purchase and development strategy.

STRATEGY

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

In order to remain successful, the Company must:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions;
- 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;
- diligently manage costs and maintain quality of the properties.

The Company invests in the following property types:

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

Management intends to achieve Plazacorp's goals by:

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

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

- ➢ Funds from operations (FFO);
- ➢ Earnings before interest, taxes, depreciation and amortization (EBITDA);
- ➢ Debt service ratios;
- ➢ "Same-Asset" net property operating income;
- ➢ Weighted average cost of debt;
- ➢ Occupancy ratios.

PROPERTIES OF THE COMPANY

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-06	Major Tenants
Strip Plazas					
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,185	100%	92%	Bouclair,, Yellow Shoes, Le Grenier
Plaza Super C	Shawinigan, QC	130,095	100%	100%	Rossy, Super C, l'Aubainerie, Dollarama
Les Promenades St. Francois	Laval, QC	54,738	50%	100%	Jean Coutu, Dollarma, Caisse Populaire
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	100%	National Bank, Burger King, Reitmans
Terrace Dufferin	Valleyfield, QC	17,567	50%	91%	Videotron, Mike's Restaurant
Carrefour des Seigneurs	Terrebonne, QC	33,900	25%	100%	Jean Coutu
Exhibition Plaza	Saint John, NB	75,280	55%	100%	Empire Cinemas, Mark's Work Wearhouse
Nashwaaksis Plaza	Fredericton, NB	56,794	100%	97%	Dollarama, McDonalds
Wedgewood Plaza	Riverview, NB	12,768	100%	100%	Dollarama, Blockbuster
FHS Plaza	Fredericton, NB	24,280	100%	100%	Cleve's Sporting Goods, Bulk Barn
Lansdowne Place	Saint John, NB	204,344	50%	98%	Zellers, Dollarama, Shoppers Drug Mart
McAllister Drive Plaza	Saint John, NB	19,275	55%	100%	McDonald’s, Cleve’s Sporting Goods
SCA Plaza	Saint John, NB	17,430	55%	100%	Bulk Barn, Great Canadian Dollar Store
Empire Plaza	Fredericton, NB	13,743	100%	100%	Dollarama
Connell Road Plaza	Woodstock, NB	19,645	100%	100%	Dollarama, Mark's Work Wearhouse
Miramichi Power Center - Phase 1	Miramichi, NB	38,033	100%	100%	Staples, Bulk Barn
Miramichi Power Center - Phase 2	Miramichi, NB	19,239	100%	71%	Boston Pizza
Boulevard Plaza	Moncton, NB	83,021	100%	100%	Winners, Michael's
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	100%	Pizza Delight, Tim Horton’s
Main Place	Fredericton, NB	31,284	100%	100%	Shoppers Drug Mart
Major Brook Drive Plaza	Saint John, NB	40,263	55%	100%	Michael's, Boston Pizza
Champlain Plaza	Dieppe, NB	48,754	100%	97%	Shoppers Drug Mart, Bulk Barn
Crown Street	Saint John, NB	21,764	100%	100%	Shoppers Drug Mart
St. Anne Street Plaza	Bathurst, NB	25,213	100%	96%	Dollarama, Reitmans
St. Peter Avenue Plaza	Bathurst, NB	22,848	100%	89%	Shoppers Drug Mart
Staples Plaza	Dartmouth, NS	153,061	50%	92%	Staples, Reitmans, Bulk Barn
Staples Plaza	New Glasgow, NS	33,753	100%	100%	Staples
Tacoma Centre	Dartmouth, NS	160,991	100%	97%	Canadian Tire, Dollarama, Royal Bank
Commercial Street Plaza	New Minas, NS	15,342	100%	100%	Swiss Chalet, Penningtons, Movie Gallery
V-8 Plaza	New Glasgow, NS	13,400	100%	100%	Dollarama, Swiss Chalet
209 Chain Lake Drive	Halifax, NS	89,576	50%	100%	Value Village, Burger King, Bulk Barn
201 Chain Lake Drive	Halifax, NS	117,712	50%	100%	McDonalds, Home Outfitters
303 Main Street Plaza	Antigonish, NS	21,484	100%	83%	Shoppers Drug Mart
Welton Street Plaza	Sydney, NS	20,975	100%	100%	Dollarama, Bulk Barn
Tacoma Valley Field	Dartmouth, NS	25,325	100%	81%	Shoppers Drug Mart
Starr's Road Plaza	Yarmouth, NS	60,091	100%	78%	Price Copper, Empire Theatres
Pleasant Street Plaza	Yarmouth, NS	22,586	100%	100%	Shoppers Drug Mart, Cotton Ginny
University Plaza	Charlottetown, PE	60,984	43%	100%	Dollarama, Smitty's, Colour Your World
Belvedere Plaza	Charlottetown, PE	77,016	60%	100%	Marks Work Wearhouse, Indigo
Granville Street Plaza	Summerside, PE	62,362	60%	100%	Dollarama, Pennington’s
Spring Park Plaza	Charlottetown, PE	49,734	85%	100%	Co-op, Fabricville, Value Village
UAS Plaza	Charlottetown, PE	23,386	100%	100%	Shoppers Drug Mart, TD Bank
15260 Yonge Street	Aurora, ON	14,177	50%	86%	Dollarama
Kenmount Road Plaza	St. John’s, NL	21,404	100%	73%	XS Cargo, Montana’s
Conception Bay South Plaza	Conception Bay South, NL	21,220	100%	100%	Shoppers Drug Mart
Bay Roberts Plaza	Bay Roberts, NL	20,468	100%	100%	Shoppers Drug Mart
Sub-total		2,151,700		97.0%	

Property	Location	Gross Leasable Area (sq. ft.)	Ownership Interest (%)	Occupied or Committed as at 31-Dec-06	Major Tenants
Enclosed Malls					
Les Galeries Montmagny	Montmagny, QC	136,694	50%	99%	Maxi, Hart, Uniprix
Grand Falls Shopping Mall	Grand Falls, NB	145,059	100%	88%	Dollarama, Shoppers Drug Mart
Gateway Mall	Sussex, NB	150,237	25%	96%	Sobey's, Zellers
Les Promenades du Cuivre	Rouyn-Noranda, QC	125,735	100%	97%	Hart, Uniprix, Royal Bank
Oromocto Mall	Oromocto, NB	77,110	100%	95%	Shoppers Drug Mart, Dollarama
Sub-total		634,835		95.0%	
Single Use					
Bureau en Gros	Granby, QC	25,695	50%	100%	Staples
Bureau en Gros	Rimouski, QC	25,771	50%	100%	Staples
912 East River Road	New Glasgow, NS	16,912	100%	100%	Shoppers Drug Mart
681 Mountain Road	Moncton, NB	19,504	100%	100%	Shoppers Drug Mart
Staples	Saint John, NB	25,293	100%	100%	Staples
Plaza TS Magog	Magog, QC	17,452	50%	100%	Shoppers Drug Mart
Sub-total		130,627		100.0%	
Income producing properties		2,917,162		96.7%	
Projects Under Development					
Boulevard Hebert Plaza	Edmundston, NB	26,836	100%	100%	Shoppers Drug Mart, Boston Pizza
Scott Street Plaza	St Catherines, ON	21,500	75%	79%	Shoppers Drug Mart
Kings Road Plaza	Sydney River, NS	17,036	100%	100%	Shoppers Drug Mart
Central Avenue Plaza	Greenwood, NS	16,989	100%	100%	Shoppers Drug Mart
Plaza BDP	Deux Montagnes, QC	17,036	37.5%	100%	Shoppers Drug Mart
LeMarchant Road Plaza	St. John's, NL	20,036	100%	100%	Shoppers Drug Mart
KGH Plaza	Miramichi, NB	17,036	100%	100%	Shoppers Drug Mart
CPRDL	Riviere-du-Loup, QC	40,000	50%	100%	Caisse Populaire
Main and Western Street Plaza	Sussex, NB	14,000	100%	71%	Dollarama
Victoria Street Plaza	Edmundston, NB	16,000	100%	25%	Reitmans
Sub-total		206,469		90.1%	
Total Excluding Non-Consolidated Trusts and Partnerships		3,123,631		96.3%	
Non-Consolidated Trusts and Partnerships					
Marche De L'Ouest	Dollard des Ormeaux, QC	125,907	20%	90%	IGA, SAQ
Plaza des Recollets	Trois Rivieres, QC	73,615	15%	100%	Winners, Smart Set, Laura, Jacob, Aldo
Place Du Marche	Dollard des Ormeaux, QC	35,278	10%	100%	Laurentian Bank, Starbucks
Centennial Plaza	Dollard-des-Ormeaux, QC	152,189	10%	80%	Value Village, Dormez-Vous, Jean Coutu
3550 Sources	Dollard des Ormeaux, QC	8,391	10%	100%	National Bank
Northwest Centre	Moncton, NB	177,741	10%	100%	Zellers, Pets Unlimited, Princess Auto
Village Shopping Centre	St. John's, NL	451,683	19.2%	80%	Sears, Urban Planet, Dollarama
Sub-total		1,024,804		86.8%	
Grand Total		4,148,435		93.9%	

PART III

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the prior three completed fiscal years and the 14 months ended December 31, 2006 are presented below:

($000's except per share amounts)		**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005	12 Months Ended October 31, 2004
Total revenue		**$ 41,998**	$ 35,364	$ 28,716	$ 25,253
Net income (loss)		**3,019**	2,804	(224)	2,437
Dividends		**5,042**	5,042	3,752	2,799
Dividends per share		**0.125**	0.125	0.105	0.090
Total assets		**229,888**	219,940	172,444	138,161
Mortgages payable		**149,944**	143,282	109,645	82,651
Mortgage bonds payable		**17,500**	17,500	12,525	5,050
Debentures payable		**16,543**	17,119	16,734	17,300
Notes payable		**3,604**	3,070	2,566	2,053
Bank indebtedness		**2,959**	2,079	-	69
Earnings (loss) per	**Basic**	**0.075**	0.070	(0.006)	0.077
	Diluted	**0.075**	0.069	(0.006)	0.075
FFO Per share	**Basic**	**0.253**	0.215	0.165	0.157
	Diluted	**0.240**	0.202	0.159	0.147
Basic weighted average shares outstanding		**40,151**	39,872	35,212	31,702

The real estate assets of the Company have grown from 37 properties at November 1, 2003 to 74 properties at December 31, 2006. The summary of yearly results is influenced by significant acquisition, development and re-development activities over the last three years and highlights the increasing total assets and revenues resulting from these activities. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

SUMMARY OF QUARTERLY INFORMATION

November 1, 2005 to December 31, 2006

($000's except per share and other data)

		Q5'06 (1)	Q4'06	Q3'06	Q2'06	Q1'06	Q4'05	Q3'05	Q2'05	Q1'05
Total revenue		**$ 6,634**	$ 9,286	$ 8,822	$ 8,674	$ 8,582	$ 8,091	$ 6,969	$ 6,874	$ 6,782
Net income (loss)		**215**	378	1,366	(56)	1,116	(44)	(69)	(88)	(23)
Dividends		**-**	1,301	1,294	1,250	1,196	963	938	932	919
Dividends per share		**-**	0.0313	0.0313	0.0313	0.0313	0.0263	0.0263	0.0263	0.0263
Total assets		**229,888**	219,940	207,627	190,038	180,306	172,444	158,395	150,407	139,058
Mortgages payable		**149,944**	143,282	133,530	117,778	115,602	109,645	96,345	90,251	88,343
Mortgage bonds payable		**17,500**	17,500	17,500	17,525	12,525	12,525	12,525	12,550	5,050
Debentures payable		**16,543**	17,119	15,668	13,944	15,923	16,734	15,909	14,117	14,570
Notes payable		**3,604**	3,070	3,720	2,160	2,426	2,566	2,001	1,930	1,810
Bank indebtedness		**2,959**	2,079	-	-	-	-	-	-	13
Earnings (loss) per share										
	Basic	**0.005**	0.009	0.033	(0.001)	0.030	(0.001)	(0.002)	(0.002)	(0.001)
	Diluted	**0.005**	0.009	0.032	(0.001)	0.028	(0.001)	(0.002)	(0.002)	(0.001)
FFO per share	**Basic**	**0.038**	0.062	0.050	0.048	0.054	0.050	0.040	0.035	0.040
	Diluted	**0.036**	0.059	0.048	0.045	0.050	0.046	0.038	0.034	0.038
Basic weighted average shares outstanding		**41,816**	41,557	41,013	39,703	37,172	36,255	35,659	35,350	33,588

(1) 2 month period November 1, 2006 to December 31, 2006. Results are comparable to the prior three months adjusting for property additions.

The summary of quarterly results reflects activities occurring in the periods together with seasonal variation caused by the fixed common cost recovery patterns and changes due to the timing of acquisition, development and re-development activities.

The quarterly information highlights the increasing total assets and gross revenues over the nine quarters and is reflective of significant growth in acquisitions, developments, and re-developments. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio during a period of solid growth.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWO MONTHS ENDED DECEMBER 31, 2006 IN COMPARISON TO THE THREE MONTHS ENDED OCTOBER 31, 2005

QUARTER RESULTS

Consolidated Statement of Income

(000's) **For the Periods Ended**	**2 Months Ended December 31, 2006 (unaudited)**	3 Months Ended October 31, 2005 (unaudited)
Rental revenue	**$ 6,373**	$ 8,003
Operating expenses	**2,680**	3,356
Net property operating income	**3,693**	4,647
Investment income	**262**	87
Income from property and investments	**3,955**	4,734
Financing costs	**2,126**	2,433
Income before undernoted	**1,829**	2,301
Administrative expenses	**118**	229
Amortization	**1,324**	1,956
Capital taxes	**96**	157
Income (loss) before undernoted	**291**	(41)
Loss on disposals of surplus land	**(4)**	-
Income (loss) before income taxes and non-controlling interests	**287**	(41)
Income tax expense (recovery) – current	**38**	(87)
– future	**(37)**	89
	1	2
Income (loss) before non-controlling interests	**286**	(43)
Non-controlling interests	**71**	1
Net income (loss) for the period	**$ 215**	$ (44)
Basic earnings (loss) per share	**$ 0.005**	$ (0.001)
Weighted average number of shares outstanding	**41,816**	36,658 36,255
Diluted earnings (loss) per share	**$ 0.005**	$ (0.001)
Diluted weighted average number of shares outstanding	**42,641**	36,658

QUARTER RESULTS (continued)

Consolidated Statement of Cash Flow

(000's) For the Periods Ended	2 Months Ended December 31, 2006 (unaudited)	3 Months Ended October 31, 2005 (unaudited)
Cash obtained from (used for):		
Operating activities		
Net income (loss)	**$ 215**	$ (44)
Items not affecting cash		
Amortization	**1,440**	2,089
Non-cash investment (income) loss	**(184)**	53
Loss on disposals of surplus land	**4**	-
Stock option compensation	**6**	8
Interest relating to debenture accretion	**24**	27
Non-controlling interest	**71**	2
Future income taxes	**(37)**	89
Tenant acquisition costs	**(2,956)**	(1,782)
Change in non-cash working capital	**2,334**	(2,759)
	917	(2,317)
Financing activities		
Increase in notes payable	**533**	565
Issue of common shares, pursuant to employee option agreements	**83**	13
Dividends paid to non-controlling interests	**(69)**	(433)
Dividends paid to shareholders	**(1,237)**	(885)
Proceeds from bonds and debentures	**-**	909
Proceeds from mortgage financing	**17,980**	11,459
Mortgage repayments at maturity	**(10,914)**	-
Mortgage principal repayments	**(404)**	(491)
	5,972	11,137
Investing activities		
Acquisition, development and re-development	**(8,123)**	(9,044)
Net proceeds from disposals of surplus land	**(3)**	200
Decrease (increase) in investments		
Decrease in bonds	**54**	-
Contributions received (made)	**630**	(189)
Distributions received	**253**	98
Increase in deposits on properties	**(289)**	(594)
Increase in deferred charges	**(538)**	(213)
	(8,016)	(9,742)
Net decrease in cash and cash equivalents	**(1,127)**	(922)
Cash and cash equivalents less bank indebtedness, beginning of the period	**(1,269)**	1,911
Cash and cash equivalents less bank indebtedness, end of the period	**$ (2,396)**	$ 989

Cash deficiency is made up of:		
Cash and cash equivalents	**$ 563**	$ 989
Bank indebtedness	**(2,959)**	-
	$ (2,396)	$ 989

QUARTERLY RESULTS

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

Plazacorp's Summary of FFO for the 2 months ended December 31, 2006 in comparison to the 3 months ended October 31, 2005 is presented below:

(000's – except per share amounts) **For the Periods Ended**		**2 Months Ended December 31, 2006**		3 Months Ended October 31, 2005
Total revenues	**$**	**6,635**	$	8,090
Basic earnings (loss) per share	**$**	**0.005**	$	(0.001)
Diluted earnings (loss) per share	**$**	**0.005**	$	(0.001)
Net income (loss)	**$**	**215**	$	(44)
Loss on disposals of surplus land		**4**		-
Income tax expense		**1**		2
Amortization		**1,324**		1,956
Non-controlling interests		**71**		1
Financing costs		**2,126**		2,433
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**3,741**		4,348
Less:				
Financing costs		**(2,126)**		(2,433)
Current income tax (expense) recovery		**(38)**		87
Non-cash debenture interest		**24**		27
Equity accounting and non-controlling interests adjustments to FFO		**(19)**		(202)
Corporate amortization		**(8)**		(13)
Basic FFO		**1,574**		1,814
Interest on dilutive convertible debentures		**95**		285
Diluted FFO	**$**	**1,669**	$	2,099
Basic weighted average shares outstanding		**41,816**		36,255
Basic FFO per share	**$**	**0.038**	$	0.050
Diluted shares outstanding		**42,641**		36,658
Diluted effect of convertible debentures		**4,246**		9,201
Total diluted weighted average shares outstanding		**46,887**		45,859
Diluted FFO per share	**$**	**0.036**	$	0.046
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**$**	**3,741**	$	4,348
Financing costs	**$**	**2,126**	$	2,433
Periodic mortgage principal repayments		**404**		491
Total debt service	**$**	**2,530**	$	2,924
Including Impact of Convertible Debentures				
Interest coverage ratio		**1.8**		1.8 times
Debt service coverage ratio		**1.5**		1.5 times

Diluted FFO includes the impact of convertible debentures not dilutive to earnings (see note 16c of the consolidated financial statements December 31, 2006).

For the 2 months ended December 31, 2006 FFO was down $240 thousand (13%) compared to the 3 months ended October 31, 2005. On a per share basis FFO was 3.8¢ per share (3.6¢ diluted) for the 2 months ended December 31, 2006 compared to 5.0¢ (4.6¢ diluted) for the 3 months ended October 31, 2005. Results are comparable to the prior 3 months ended October 31, 2005 adjusting for the property additions and the shorter 2 month reporting period.

EBITDA was stable for the two month period November and December 2006.

➢ ***KEY PERFORMANCE INDICATOR***

Operations in the Same-Asset pool were stable, performing according to management expectations.

SAME-ASSET NET PROPERTY OPERATING INCOME

(000's) **For the Periods Ended**	**2 Months Ended December 31, 2006**	3 Months Ended October 31, 2005	Change $
Same-asset rental revenue	**$ 4,234**	$ 6,312	$ (2,078)
Transactions rental revenue	**2,139**	1,691	448
Total rental revenue	**6,373**	8,003	(1,630)
Same-asset operating expenses	**1,004**	1,672	(668)
Transactions operating expenses	**588**	495	93
Total operating expenses	**1,592**	2,167	(575)
Same-asset realty tax expense	**753**	1,016	(263)
Transactions realty tax expense	**336**	173	163
Total realty tax expense	**1,089**	1,189	(100)
Total expenses	**2,681**	3,356	(675)
Same-asset net property operating income	**2,477**	3,624	(1,147)
Transactions net property operating income	**1,215**	1,023	192
Total net property operating income	**$ 3,692**	$ 4,647	$ (955)

There were no significant operational issues for the 2 month period ending December 31, 2006. Five properties were transferred to Income Producing property status during the period. Results are comparable to the prior 3 months ended October 31, 2005 adjusting for the property additions and the shorter 2 month reporting period.

AMORTIZATION

For the 2 months ended December 31, 2006 amortization expense has decreased $632 thousand compared to the 3 months ended October 31, 2005 due to timing of transfers to income producing status of certain properties under development in 2005 and 2006 offset by the shorter 2 month reporting period.

(000's) **For the Periods Ended**	**2 Month Ended December 31, 2006**	3 Months Ended October 31, 2005	Change $
Same-asset amortization	**$ 783**	$ 1,306	$ (523)
Transactions	**541**	650	(109)
Total amortization	**$ 1,324**	$ 1,956	$ (632)

PART IV

LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash flow in the form of recurring rent generated from the portfolio represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to pay operating, leasing and property tax costs, and to fund dividends. Cost of development activity are funded by a combination of debt, equity and cash flow. Liquidity is a concern only as it relates to the availability of debt and equity to fund new developments and acquisitions.

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

Plazacorp's cash distribution policy reflects repayment of recurring mortgage principal payments from cash. Accordingly, Plazacorp attempts to reduce the overall debt level on existing properties year-over-year in order to strengthen the balance sheet, rather than incur new debt or raise equity capital to cover recurring monthly mortgage principal payments. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay anticipated dividends.

EQUITY AND DEBT ACTIVITIES

BANK FINANCING

The current market for obtaining mortgage funding for the Company's properties is favourable with many sources of real estate debt financing available. As at April 5, 2007, the Company had extended the existing terms of an existing mortgage on one asset totaling $1.25 million to facilitate current development. Management is confident that all short-term financings maturing in 2007 will be renewed or converted to long-term debt at maturity on favourable terms.

To assist in development activities the Company has two acquisition and development facilities with Canadian Chartered banks totaling $50.0 million, $35.0 million and $15.0 million respectively to fund acquisition and development projects with a limit of $5.0 million and $6.0 million respectively per asset funded. The interest rate on funds drawn is prime plus 5/8% and 1/2%. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facilities from time-to-time. The lines of credit mature April 23, 2007 and July 31, 2008 respectively. The terms of the facility maturing April 23, 2007 are currently being finalized and the Company expects the line will be extended on acceptable terms.

At December 31, 2006, the Company had drawn $13.2 million under the $35.0 million facility and had drawn $3.3 million on the $15.0 million facility. The remaining facilities may be drawn subject to standard lending terms. Subsequent to December 31, 2006 and up to April 5, 2007, the Company had drawn additional funds of $3.9 million on the facilities and repaid $11.0 million through the funding of long-term mortgages.

The Company has a $4.8 million operating line-of-credit facility with a Canadian Chartered bank at the rate of prime + ¾%. As at December 31, 2006, $3.0 million has been drawn on this facility. This operating line of credit is secured by mortgage charges on Plaza Hotel de Ville and Plaza Theriault, Rivière-du-Loup, Quebec and the Staples Building, Saint John, New Brunswick. This line of credit matures on November 30, 2007. Four hundred thousand of the line has been reserved to fund the letter-of-credit requirements under mortgage loan agreements reducing the available funding to $4.4 million.

The Company also has a $500 thousand letter-of-credit facility with a Canadian Chartered bank of which $500 thousand has been drawn. This line is secured by Personal Property Security Act (PPSA) charges in three provinces and matures on September 30, 2007. A Plazacorp subsidiary has an unsecured bank facility in the amount of $150 thousand on which no funds were drawn as at December 31, 2006.

The above credit facilities require the Company to maintain certain balance sheet equity accounts (including convertible debentures) at predetermined levels and to maintain debt service ratios based on EBITDA in excess of fixed thresholds and maintenance of occupancy ratios on pledged properties. As of December 31, 2006, these ratios have been maintained and management is confident the ratios will be maintained for the foreseeable future.

DEBENTURES

During the 14 months ended December 31, 2006 the Company issued $1.3 million of 8% subordinate debentures maturing July 2010 and has issued $5.0 million, Series IV, 7% convertible debentures, maturing July 31, 2011 to fund new developments and for general corporate purposes.

During the 14 months ended December 31, 2006 $820 thousand of Series I convertible debentures, $2.4 million of the Series II convertible debentures, and $3.4 million of Series III convertible debentures were converted to share capital and 5.0 million shares were issued. All Series I convertible debentures have been converted to shares as at December 31, 2006.

The 8% subordinate debentures require the Company to maintain debt service ratios based on EBITDA in excess of fixed threshold. As of December 31, 2006 these ratios have been maintained and management is confident the ratios will be maintained for the foreseeable future.

MORTGAGE BONDS

The Company issued $7.5 million of Series III, 8% mortgage bonds to mature May 2011 and July 2011. Series I, 12% mortgage bonds in the amount of $2.525 million were redeemed during the 14 months ended December 31, 2006.

Mortgage bond funds were deployed to fund property development as at December 31, 2006 as detailed in note 11 of the December 31, 2006 consolidated financial statements.

MORTGAGES

There are no long-term mortgages maturing in 2007.

The Company's strategy going forward will be to balance maturities and terms on new fixed debt with existing debt maturities to minimize exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on capital market conditions at the time of refinancing. Plazacorp's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets, at current market rates to stabilize cash flow available for reinvestment and dividend payments. Current market parameters for conventional mortgage debt are in the range of 65% - 80% of the appraised market value of the underlying property. The success of this strategy is dependant upon debt market parameters existing at that time as well as the particular features and quality of the underlying assets being financed in the period.

The Company's use of floating rate debt has generally been limited to assets under development or re-development. The Company fixes new mortgages debt when the debt parameters and repayment terms are most favorable. Fixed rate debt represents 88.4% of total mortgage debt, which includes bank development facilities.

Management is of the view that such a strategy results in the most conservative interest rate risk management practice.

From November 1, 2005 to December 31, 2006 the Company funded $45 million of mortgage debt with an average rate of 5.42%, term of 9 years and average amortization of 30 years. This funding contributed to improvements in the weighted average interest cost of mortgage debt, term to maturity and remaining amortization period of mortgages outstanding as at December 31, 2006.

➢ *KEY PERFORMANCE INDICATORS*

At December 31, 2006 and October 31, 2005, the Company's weighted average cost of debt was as follows:

(000's)		**Amount**	**December 31, 2006**	October 31, 2005
Fixed rate loans	**$**	**126,466**	6.36%	6.87%
Variable rate loans		**980**	6.75%	5.00%
Other fixed rate loans		**6,034**	9.65%	9.57%
Bank operating facility		**3,291**	Prime +3/4%	Prime + ¾%
Bank development facilities		**13,173**	Prime + 5/8%	Prime + ¾%

(1) Fixed rate loan includes loans with fixed principal repayments and excludes interest only debt, interim variable rate loans, mezzanine debt and vendor take back loans without periodic principal repayments.
(2) Other fixed rate loans includes second mortgage debt and vendor take back loans.

The weighted average term to maturity for the long-term mortgages is 6.9 years. The average remaining amortization or repayment period on long-term mortgage debt is 22.5 years.

COMMITMENTS

Plazacorp's current commitments for acquisitions, developments and re-developments scheduled for future periods is $30.7 million. Management believes that Plazacorp has sufficient unused bank line availability, and mortgage bond deployment potential, to fund these future commitments.

Plazacorp's future contractual commitments, and the estimated timing of these commitments, are outlined below:

(000's)			**Payments Due by Year**						
		Total		**Year 2007**		**2-3 years 2008 to 2009**		**4-5 years 2010 to 2011**	**After 5 years**
Contractual obligations									
Mortgages	**$**	**149,944**	**$**	**20,032**	$	21,167	$	10,114	$ 98,631
Mortgage bonds and debentures		**34,307**		**-**		6,648		27,659	-
Operating land leases		**95,541**		**1,739**		3,532		3,587	86,683
Development activities		**30,668**		**30,668**		-		-	-
Total contractual obligations	**$**	**310,460**	**$**	**52,439**	$	31,347	$	41,360	$ 185,314

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

The Company also has contingent liabilities as original borrower on mortgages assumed by the purchaser of 50% interests in three properties. These commitments are subject to cross-indemnity agreements. The balance outstanding on these loans is $8.1 million as at December 31, 2006. On March 7, 2007 the Company sold its interest in these properties where guarantees were in place. This will not relieve the Company's obligations in respect of these mortgages. See note 20c of the December 31, 2006 consolidated financial statements.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $799 thousand. See note 20c of the December 31, 2006 consolidated financial statements.

The Company assumed a guarantee for a $15.8 million development line of credit held by the Village Shopping Centre Limited Partnership for the completion of construction. As at December 31, 2006 the remaining budgeted costs are $8.0 million.

PART V

RISKS AND UNCERTAINTIES

All income property investments are subject to a degree of risk and uncertainty. Income property is affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand particularly affect income property investments. Management attempts to manage these risks through geographic and asset class diversification in Plazacorp's portfolio. At December 31, 2006 Plazacorp held interest in 74 properties spread geographically among six provinces in Canada.

INTEREST RATE AND FINANCING RISK

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

Current market conditions are very favourable for obtaining mortgage financing in both the fixed rate and floating rate facilities. Interest rate spreads over Government of Canada Bonds have been stable over the last twelve months. At existing rates, the Company is able to obtain positive returns from debt financing. The availability of debt financing makes management highly confident of obtaining suitable long-term financing for projects on completion of development and maturity of existing debt as it comes due. Re-financing debt at maturity with conventional financing is generally limited to 65-80% of appraised value. Management is of the view that such level of indebtedness is achievable in the market place and is confident all maturing debts will be financed or refinanced as they come due for the foreseeable future.

Plazacorp has an ongoing requirement to access the debt markets to re-finance maturing debt as it comes due. There is a risk that lenders will not re-finance such maturing debt on terms and conditions acceptable to Plazacorp, or on any terms at all.

CREDIT RISK

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

Currently, no one tenant represents more than 16.1% of current monthly gross rents in place. The top 10 tenants collectively represent approximately 44% of total revenues.

LEASE ROLL-OVER RISK

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

In 2006, management completed 671 thousand square feet (2005 – 336 thousand square feet) of new leasing deals at market rates thus increasing our occupied or committed space by 420 thousand square feet (2005 – 251 thousand square feet) net of all expires, renewals and vacated space. The 671 thousand square feet of new leasing was made up of 551 thousand square feet on developments and acquisitions and 120 thousand square feet on same-asset properties.

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

The following table represents leases expiring for the next 5 years and thereafter for Plazacorp's portfolio as at December 31, 2006:

LEASE ROLL-OVER BY ASSET CLASS

	Strip Plazas		Enclosed Malls		Single-User		Total	
Year	**Sq Ft**	**%**	**Sq Ft**	**%**	**Sq Ft**	**%**	**Sq Ft**	**%**
2007	161,827	7.5%	121,561	19.1%	-	0.0%	**283,388**	**9.7%**
2008	160,089	7.4%	64,296	10.1%	-	0.0%	**224,385**	**7.7%**
2009	143,631	6.7%	147,831	23.3%	-	0.0%	**291,462**	**10.1%**
2010	293,789	13.7%	76,805	12.1%	-	0.0%	**370,594**	**12.7%**
2011	301,110	14.0%	49,994	7.9%	-	0.0%	**351,104**	**12.0%**
Thereafter	1,026,554	47.7%	142,555	22.5%	130,627	100.0%	**1,299,736**	**44.6%**
Vacant	64,700	3.0%	31,793	5.0%	-	0.0%	**96,493**	**3.3%**
Total exclusive of non-consolidated trusts, partnerships and properties under development	2,151,700	100.0%	634,835	100.0%	130,627	100.0%	**2,917,162**	**100.0%**
Weighted average remaining lease term in years		8.0		4.2		10.3		

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

OCCUPANCY RISK

One of Plazacorp's performance drivers is related to occupancy. The majority of Plazacorp's leases in place are referred to as net leases, meaning tenants reimburse Plazacorp for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plazacorp's operating costs and tax expenses are generally of a fixed nature, although Plazacorp does experience a variable element as it relates to utilities, janitorial costs, and in certain municipalities realty tax.

The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately $368 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions Management may take in relation to the changes.

➢ ***KEY PERFORMANCE INDICATOR***

Occupancy in the strip plazas was 97.0% as at December 31, 2006 compared to 97.3% as at October 31, 2005.

Average occupancy in the enclosed malls was 95.0% as at December 31, 2006 compared to 94.9% as at October 31, 2005. Occupancy for single use assets remained stable at 100%. The pre-leased space in properties under development is 90.1%.

Overall the portfolio, excluding non-consolidated trusts and partnerships and properties under development as at December 31, 2006 was 96.7% occupied compared to 96.8% as at October 31, 2005. These occupancy rates are within management's expectations in view of continuing development in the portfolio and transfers of partially leased development properties to income producing status during the year.

DEVELOPMENT AND ACQUISITIONS RISK

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

ENVIRONMENTAL RISK

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

LITIGATION RISK

Plazacorp is involved in litigation and claims in relation to its income producing properties from time-to-time. In Management's opinion, any liability that may arise from such litigation would not have a significant adverse effect on these financial statements.

PART VI

SHARES OUTSTANDING

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

As at April 5, 2007	Shares	Share Capital
Current Outstanding Shares	43,277,208	$ 32,262,777
Employee and Director Share Options	1,288,220	2,150,714
Series II Convertible Debentures	200,000	240,000
Series III Convertible Debentures	3,059,375	4,895,000
Series IV Convertible Debentures	1,250,000	5,000,000
Total adjusted shares outstanding	49,074,803	$ 44,548,491

The Company has the right to redeem the Series II, Series III and Series IV outstanding convertible debentures at maturity, through the issuance of shares, based on 95% of the 20 day weighted average trading price ending 5 days before redemption. Details of conversions and option exercising during the year are detailed in Notes 5 and 17 of the consolidated financial statements.

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Atlantic Limited manages the Company's properties under a management contract that expires April 30, 2009 and has managed the properties since 1999. In Quebec, staff of Les Immeubles Plaza–Z Corp handles management duties under sub-contracting arrangements with Plaza Atlantic Limited. The majority of employees engaged in the property management, development, leasing and property accounting activities are employees of Plaza Atlantic Limited or Plaza Z Corp. These companies employ 77 people in the accounting, finance, engineering, development, leasing, and other administrative capacities excluding property specific staff.

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

The purpose of the management arrangement is to provide the Company the services of a fully staffed and professional management company in all geographic areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic Limited and Les Immeubles Plaza Z–Corp manage properties for third parties.

Mr. Brewer and Mr. Zakuta do not receive any direct compensation from the Company for performing their duties as Chairman and President, respectively or as Directors during 2006.

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

Property Management	4% of gross rents paid. (November 1, 2005 to December 31, 2006) 5% of gross rents paid. (November 1, 2004 to October 31, 2005)
Leasing	4% of rental revenue per year for first five years of a lease term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewal are at 50% of the above.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of third party land leases.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Legal Services	Cost recovery basis, currently $142 per hour.

During the 14 months ended December 31, 2006 and the 12 months ended October 31, 2005 the following amounts were billed under the contacts:

For the Periods Ended (000's) Fee Category	Included for Reporting Purposes In	14 Months Ended December 31, 2006	12 Months Ended October 31, 2006	12 Months Ended October 31, 2005
Management fees	Property operating expenses	**$ 1,436**	$ 1,290	$ 1,260
Leasing fees	Tenant acquisition costs and property operating	**1,475**	1,499	1,260
Development fees	Income producing properties	**865**	769	980
Financing fees	Deferred charges and income producing	**330**	297	141
Acquisition fees	Income producing properties	**249**	304	88
Land lease fees	Income producing properties	**26**	-	-
Disposition fees	Gain on disposal of income producing	**165**	164	-
Legal services	Varies depending on nature of service	**398**	297	251
Total fees billed by the Property Manager		**$ 4,944**	$ 4,620	$ 3,980

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at December 31, 2006 fall into two categories:

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

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

(000's) As at	Interest Rate	December 31, 2006	October 31, 2005
Interest bearing notes:			
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, President and Chief Executive Officer of the Company	Prime +1%	**$ 2,289**	$ 917
Non-Interest bearing notes:			
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President and Chief Executive Officer of the Company	n/a	**286**	262
Total		**$ 2,575**	$ 1,179

Two directors directly or beneficially share interests in common with the Company in the Gateway Mall, Sussex, NB property being Earl Brewer (25%) and Michael Zakuta (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership. Subsequent to December 31, 2006 $1.7 million has been repaid to related parties.

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer, purchased the land underlying V8 Plaza, New Glasgow, NS, subject to a ground lease with Plazacorp, and are now the leasor under the lease at an annual payment of $87 thousand and entered into a land lease with the Company on the Conception Bay South property with an annual rent of $109 thousand, and entered into a land lease with Plaza BDP with an annual rate rent of $124 thousand. Subsequent to December 31, 2006 leases on three properties were completed with TC Land REIT as detailed in Note 24 of the December 31, 2006 financial statements.

BONDS AND DEBENTURES HELD

Below is a summary of convertible debentures and mortgage bonds of the Company held at face value directly or indirectly by related parties as at December 31, 2006 and October 31, 2005.

(000's) Related Party	December 31, 2006	October 31, 2005
Richard Hamm,Director	**$ 325**	$ 775
Michael Zakuta, Director	**1,200**	1,749
Edouard Babineau, Director	**600**	700
Earl Brewer, Director	**658**	820
Stephen Johnson, Director	**1,275**	1,125
Barbara Trenholm, Director	**264**	100
William L'Heureux, former Director	**200**	650
Total	**$ 4,522**	$ 5,919

DISCLOSURE CONTROLS

We maintain appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Our Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direction supervision of, the design and effectiveness of our disclosure controls and procedures (as defined in Multilateral Instruments 52-109, Certification and Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2006 and have concluded that such disclosure controls and procedures operated effectively during the reporting periods.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their direct supervision of, the design of our internal controls over financial reporting as at December 31, 2006.

No changes were made in the Company's internal control over financial reporting during the two months ended December 31, 2006, that materially affected, or are reasonably likely to materially affect Plazacorp's internal control over financial reporting.

INTERESTS IN JOINT VENTURES

The Company uses joint ventures for several reasons, principally:

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

The effect of terminating the arrangements would be the same as those involved in sale of the asset or the foreclosure of a mortgage loan. If the equity interest, net of debt, assumed by the buyer differs from the carrying value of the asset a loss or gain could arise. In the case of a foreclosure or third party sale there could be continuing liability as the original borrower under a mortgage arrangement. Note 19 to the consolidated financial statements at December 31, 2006 detailed the impact of joint venture arrangements.

CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

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

NON-CONTROLLING INTEREST

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

Accumulated deficits arise in the capital accounts of subsidiary limited partnerships and corporations when, due to non-cash charges to net income such as amortization, the subsidiaries free cash flow allows cumulative cash drawings to exceed accumulated earnings and contributed capital. If the non-controlling parties have contractual obligations, by the way of guarantees, to fund their proportion of the underlying secured debt of the entity, this deficit is recorded as an asset by the Company so long as those guarantees exceed the non-controlling party's proportionate share of the accumulated deficit. Any deficit in excess of the underlying guarantees would be recorded as charges to consolidated net income by the Company. The comparison of the guarantees to the underlying deficit of the entity is performed quarterly to determine if charges to consolidated net income are warranted. This estimate is critical in that it may impact on charges to net income related to Plazacorp's exposure to the activities of non-controlling parties. Twenty six thousand dollars was charged to consolidated net income during the year under this policy.

PROPERTY ACQUISITIONS

Management is required to allocate the purchase price to acquired tangible and intangible assets and in-place leases. The allocation may change as new information emerges on the appropriateness of estimates made during 2006. This estimate is critical insofar as it may impact the corresponding amortization period of the related assets and net income.

ASSET VALUE IMPAIRMENT

Income producing properties are carried at cost. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated undiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income producing properties are written down to estimated fair value and an impairment loss is recognized. No impairment has been recognized in the 14 months ended December 31, 2006 (October 31, 2005 – nil).

The estimate is critical insofar as it may impact on the classification and book value of income producing properties held and net income should impairment be present.

VARIABLE INTEREST ENTITIES

The Company evaluates all joint-venture relationships and partial ownership interests to determine whether or not they are subject to the variable interest entity guidelines as directed by AcG-15 in respect of applying consolidation, equity accounting, joint-venture accounting or cost accounting. The Company had determined that there are no significant changes required to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at December 31, 2006 compared to October 31, 2005 and prior 2006 quarterly reporting.

There were no changes to accounting policies year-to-date, and readers should refer to the December 31, 2006 Consolidated Financial Statements for a full description of the Company's accounting policies.

FUTURE ACOUNTING POLICIES

In the first quarter of 2007, three significant accounting policy changes could impact the Company's reporting: Comprehensive Income, CICA 1530; Financial Instruments – Recognition and Measurement, CICA 3855; and, Hedge Accounting, CICA 3865. Management is in the process of evaluating the impact of these guidelines.

OTHER

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

The Company's annual meeting will be held on May 23, 2007 at 10:00 am (ADT) at the Crown Plaza, Fredericton, New Brunswick.

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

To the Shareholders of Plazacorp Retail Properties Ltd.

The accompanying consolidated financial statements and information contained in the Annual Report have been prepared by, and are the responsibility of, the management of the Company. The financial statements have been prepared within accepted limits of materiality and in accordance with the Canadian generally accepted accounting principals appropriate in the circumstances. Financial information elsewhere in this report has been reviewed to ensure consistency with that in the financial statements.

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

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

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

Michael Zakuta	Peter Sheehan
President and CEO	Chief Financial Officer
April 5, 2007	April 5, 2007

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Plazacorp Retail Properties Ltd. as at December 31, 2006 and October 31, 2005 and the consolidated statements of income (loss), deficit and cash flows for the 14 month period ended December 31, 2006 and 12 month period ended October 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and October 31, 2005 and the results of its operations and its cash flows for the 14 month period ended December 31, 2006 and 12 month period ended October 31, 2005 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Fredericton, Canada
March 9, 2007, except as to note 24 which is as of April 12, 2007

Plazacorp Retail Properties Ltd.

Consolidated Balance Sheet

As at (000's)		**December 31, 2006**		October 31, 2005
Assets				
Income producing properties and properties under development (Note 3)	**$**	**203,207**	$	153,648
Intangible assets (Note 4)		**2,834**		3,909
Deferred charges (Note 5)		**3,502**		2,653
Cash and cash equivalents		**563**		989
Receivables (Note 6)		**2,909**		2,304
Prepaid expenses and deposits (Note 7)		**4,081**		3,984
Refundable capital gains tax (Note 15)		**152**		108
Future income tax asset (Note 15)		**413**		82
Investments (Notes 8)		**9,158**		1,905
Goodwill		**2,025**		2,025
Deficits of subsidiaries (Note 9)		**1,044**		919
	$	**229,888**	$	172,526
Liabilities				
Mortgages payable (Note 10)	**$**	**149,944**	$	109,645
Mortgage bonds payable (Note 11)		**17,500**		12,525
Debentures payable (Note 12)		**16,543**		16,734
Notes payable (Note 13)		**3,604**		2,566
Bank indebtedness (Note 14)		**2,959**		-
Accounts payable and accrued liabilities		**6,106**		3,569
Dividends payable		**-**		963
Income taxes payable (Note 15)		**142**		196
Future income tax liability (Note 15)		**8,146**		6,520
Below market leases (Note 4)		**601**		950
		205,545		153,668
Shareholders' Equity				
Equity portion of convertible debt (Note 12)		**456**		586
Share capital (Note 16)		**30,292**		22,679
Contributed surplus (Note 17)		**51**		27
Deficit		**(6,456)**		(4,434)
		24,343		18,858
	$	**229,888**	$	172,526

Contingencies, commitments, guarantees, and indemnities – see consolidated financial statement Note 20.
Subsequent events – see consolidated financial statement Note 24.
Litigation – see consolidated financial statements Note 21.

Michael Zakuta, Director

Earl Brewer, Director

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statement of Deficit
For the Periods Ended
(000's)

	14 Months Ended December 31, 2006	12 Months Ended October 31, 2005
Deficit, beginning of the period	**$ (4,434)**	$ (458)
Net income (loss)	**3,019**	(224)
Dividends	**(5,041)**	(3,752)
Deficit, end of the period	**$ (6,456)**	$ (4,434)

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statement of Income (Loss)
For the Periods Ended
(000's)

	14 Months Ended December 31, 2006	12 Months Ended October 31, 2005
Rental revenues	**$ 41,243**	$ 28,099
Operating expenses	**17,323**	11,968
Net property operating income	**23,920**	16,131
Investment income	**755**	617
Income from properties and investments	**24,675**	16,748
Financing costs	**12,613**	8,640
Income before undernoted	**12,062**	8,108
Administrative expenses	**970**	906
Amortization	**8,915**	6,515
Capital taxes	**559**	534
Income before undernoted	**1,618**	153
Gain on disposals of surplus land	**3,108**	-
Income before income taxes and non-controlling interests	**4,726**	153
Income tax expense (Note 15) – current	**114**	21
– future	**1,295**	162
	1,409	183
Income (loss) before non-controlling interests	**3,317**	(30)
Non-controlling interests	**298**	194
Net income (loss)	**$ 3,019**	$ (224)
Basic earnings (loss) per share (Note 16c)	**$ 0.075**	$ (0.006)
Diluted earnings (loss) per share (Note 16c)	**$ 0.075**	$ (0.006)

See accompanying notes to the consolidated financial statement

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows
For the Periods Ended
(000's)

	14 Months Ended December 31, 2006	12 Months Ended October 31, 2005
Cash obtained from (used for):		
Operating activities		
Net income (loss)	**$ 3,019**	$ (224)
Items not affecting cash:		
Non-cash investment income	**(554)**	(349)
Amortization (see cash flow supplemental – note 6)	**9,613**	6,712
Gain on disposals of surplus land (see cash flow supplemental – note 11)	**(3,108)**	-
Stock option compensation	**40**	20
Interest relating to debenture accretion	**118**	122
Non-controlling interests	**298**	194
Future income taxes	**1,295**	162
Tenant acquisition costs (see cash flow supplemental – note 1)	**(11,208)**	(6,407)
Change in non-cash working capital (see cash flow supplemental – note 9)	**1,483**	(3,271)
	996	(3,041)
Financing activities		
Decrease in bank indebtedness	**-**	(69)
Increase in notes payable	**1,038**	586
Issue of common shares, pursuant to employee option agreements (see cash flow supplemental – note 10)	**460**	65
Dividends paid to non-controlling interests	**(423)**	(582)
Dividends paid to shareholders (see cash flow supplemental – note 4)	**(5,530)**	(3,310)
Proceeds from bonds and debentures	**12,626**	10,394
Redemption of bonds	**(1,325)**	(25)
Proceeds from mortgage financing (see cash flow supplemental – note 2)	**73,119**	34,335
Mortgage payouts (see cash flow supplemental – note 3)	**(30,161)**	(8,948)
Mortgage principal repayments (see cash flow supplemental – note 3)	**(2,659)**	(1,771)
	47,145	30,675
Investing activities		
Acquisitions, developments and re-developments (see cash flow supplemental – note 1)	**(46,977)**	(32,006)
Net proceeds from disposals of surplus land (see cash flow supplemental - note 11)	**3,873**	200
(Increase) decrease in investments		
Bonds	**(5,714)**	-
Contributions made	**(1,905)**	(476)
Distributions received	**919**	270
Decrease (increase) in deposits on properties	**238**	(253)
Decrease in mortgage receivable	**-**	5,050
Increase in deferred charges	**(1,960)**	(609)
	(51,526)	(27,824)
Net decrease in cash and cash equivalents	**(3,385)**	(190)
Cash and cash equivalents less bank indebtedness, beginning of the period	**989**	1,179
Cash and cash equivalents less bank indebtedness, end of the period	**$ (2,396)**	$ 989
Cash deficiency is made up of:		
Cash and cash equivalents	**$ 563**	$ 989
Bank indebtedness	**(2,959)**	-
	$ (2,396)	$ 989

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Periods Ended December 31, 2006 and October 31, 2005

1) Acquisitions, developments and re-developments

a) Cash and Non-Cash Additions

(000's)	14 Months Ended December 31, 2006	12 Months Ended October 31, 2005
Gross additions from property acquisitions, developments, and re-developments	**$ 58,200**	$ 46,754
Less: Assumed mortgages	**-**	(6,215)
Assumed future income tax liabilities	**-**	(1,542)
Debenture issued on acquisition	**-**	(939)
Assumed working capital surplus (deficiency)	**(15)**	8
Minority interest adjustment	**-**	347
Cash additions to income producing properties and intangible assets/liabilities	**58,185**	38,413
Less: total tenant acquisition costs (operating activity)	**(11,208)**	(6,684)
Plus: tenant acquisition costs assumed on acquisitions (operating activity)	**-**	277
Cash additions from property acquisitions, developments, and re-developments	**$ 46,977**	$ 32,006

b) Acquisitions and De-Consolidations

On June 30, 2006 the Company acquired a 50% interest in 15260 Yonge Street, Aurora, Ontario through the acquisition of 50% of the net assets. On December 1, 2004, the Company acquired a 25% interest in Gateway Mall, Sussex, New Brunswick through the acquisition of shares and debt of Fundy Retail Ltd. On August 31, 2005, the Company acquired the remaining 90% interest in Les Promenade de Cuivre, a mall in Rouyn-Noranda, Quebec through the acquisition of units of Plaza LPC Commercial Trust. On October 31, 2005 the Company acquired direct title to its 50% ownership of Les Galleries Montmagny, a mall in Montmagny, Quebec and ceased consolidation of Les Galleries Montmagny (1998) Inc. The following table summarizes the net assets acquired:

(000's)	14 Months Ended December 31, 2006	12 Months Ended October 31, 2005
Real estate assets		
Land	**$ -**	$ 1,848
Building	**-**	3,758
Development costs	**1,004**	-
Deferred charges	**13**	-
Tenants acquisition costs	**-**	277
Net intangible assets	**-**	2,238
Goodwill	**-**	-
Less: Below market leases	**-**	(352)
	1,017	7,769
Net liabilities		
Net working capital deficiency (surplus)	**15**	(29)
Future income tax liability	**-**	1,365
Assumed mortgage	**-**	6,215
Debentures issued	**-**	939
Minority interest	**-**	(418)
Mortgage de-consolidation	**-**	(2,837)
	15	5,235
Net assets acquired, funded from cash	**$ 1,002**	$ 2,534

2) Mortgage Financing

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Proceeds from development lines of credit	**$ 28,173**	$ 10,459
Proceeds from long term mortgages	**44,946**	30,091
Gross mortgage proceeds	**73,119**	40,550
Less: Assumed mortgages	**-**	(6,215)
Proceeds from mortgage financing	**$ 73,119**	$ 34,335

3) Mortgage Repayments

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Repayment of development lines of credit	**$ 26,747**	$ 4,559
Repayment of long term mortgages	**6,073**	8,997
Gross mortgage repayments	**32,820**	13,556
Less: Repayment of development lines of credit	**(26,747)**	-
Long term mortgages repayments at maturity	**(3,414)**	(8,948)
Long term mortgages de-consolidation	**-**	(2,837)
Periodic long term mortgages principal repayments	**$ 2,659**	$ 1,771

4) Dividends

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Dividends declared during the period	**$ 5,041**	$ 3,752
Adjustment for accrued dividends	**963**	(237)
Dividends paid	**6,004**	3,515
Dividend re-investment through share subscriptions	**(474)**	(205)
Dividends paid in cash	**$ 5,530**	$ 3,310

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

5) Debentures Converted to Share Capital

(000's) (except per share amounts)		**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Series I debentures converted to share capital	Face value	**$ 820**	$ 2,330
	Conversion	**$ 1.00**	$ 1.00
	Shares issued	**820**	2,330
Series II debentures converted to share capital	Face value	**$ 2,380**	$ 1,980
	Conversion	**$ 1.20**	$ 1.20
	Shares issued	**1,984**	1,650
Series III debentures converted to share capital	Face value	**$ 3,442**	$ 350
	Conversion	**$ 1.60**	$ 1.60
	Shares issued	**2,151**	219
Total debentures converted to share capital		**$ 6,642**	$ 4,660
Total shares issued		**4,955**	4,199

6) Amortization

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Amortization of income producing properties	**$ 3,546**	$ 2,633
Amortization of tenant acquisition costs	**4,331**	3,334
Amortization of intangible assets (except above market tenant leases)	**988**	448
Amortization of other deferred charges	**50**	100
Amortization expense per the Statement of Income (Loss)	**8,915**	6,515
Amortization of deferred financing charges (included with financing costs)	**713**	402
Amortization of above/below market tenant leases (included with revenue)	**(263)**	(211)
Amortization of deferred recoverable expenses (included with operating expenses)	**248**	6
Total amortizations charged to income	**$ 9,613**	$ 6,712

7) Interest

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Financing costs expensed	**$ 12,613**	$ 8,640
Plus: interest capitalized to properties	**1,284**	843
Less: amortization of deferred finance charges	**(713)**	(402)
Interest costs charged	**13,184**	9,081
Adjustment for accrued interest	**(409)**	(66)
Interest paid in cash	**$ 12,775**	$ 9,015

8) Income and Capital Taxes

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Cash income and capital taxes paid	**$ 860**	$ 924

9) Change in Non-Cash Working Capital

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Receivables	**$ (605)**	$ (364)
Prepaid expenses and mortgage deposits	**(335)**	(635)
Accounts payable and accrued liabilities	**2,521**	(1,844)
Income taxes payable net of refundable capital gains tax	**(98)**	(428)
Total cash from change in non-cash working capital	**$ 1,483**	$ (3,271)

10) Issue of Common Shares

(000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Total from shares issued through exercise of stock options	**$ 476**	$ 76
Less: transfer of equity from contributed surplus	**(16)**	(11)
Cash raised from issuance of common shares, pursuant to employee stock options	**$ 460**	$ 65

11) Gain on Disposals of Surplus Lands

For the year ended October 31, 2006 the Company disposed of land surplus to the development of income producing properties in Miramichi, Oromocto and Grand Falls for net proceeds of $3.9 million, resulting in a gain on disposal of $3.1 million.

1. Nature of Operations

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

The Company has changed the current year end for financial reporting purposes from October 31 to December 31, 2006. As a result, the current fiscal year is reporting on the 14 month period ended December 31, 2006 with comparative figures for the 12 month period ended October 31, 2005.

2. Basis of Presentation

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

a) Principles of Consolidation

The consolidated financial statements include the accounts of Plazacorp Retail Properties Ltd., its subsidiaries and its proportionate interest in joint ventures in accordance with the pronouncements of CICA 1590, 3051, 3055, and after November 1, 2004 the provisions of Accounting Guideline #15 (Consolidation of Variable Interest Entities).

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

	Ownership Interest	
	December 31, 2006	October 31, 2005
Accounting Method – Consolidation(1)		
Exhibition Plaza Inc. (2)	**55%**	55%
Plaza MDO Commercial Trust	**100%**	100%
Spring Park Plaza Inc.	**85%**	85%
Granville Street Properties Limited Partnership	**60%**	60%
Wildan Properties Limited Partnership	**60%**	60%
Plaza Tacoma Centre Limited Partnership	**100%**	100%
Commercial Street Plaza Trust	**100%**	100%
Plazacorp Real Estate Investment Trust	**100%**	100%
Plazacorp Operating Trust	**100%**	100%
Plaza Retail Limited Partnership #1	**100%**	100%
Plazacorp Master Limited Partnership	**100%**	100%
Plazacorp Property Holdings Inc.	**100%**	100%
Plaza LPC Commercial Trust	**100%**	100%
Scott Street Plaza, ON	**75%**	-
Accounting Method – Proportionate Consolidation		
Les Galeries Montmagny, QC	**50%**	50%
University Plaza, PE	**43%**	43%
RBEG Limited Partnership	**50%**	50%
Bureau en Gross, QC	**50%**	50%
Terrace Dufferin, QC	**50%**	50%
Carrefour des Seigneurs, QC	**25%**	25%
Les Promenades St-Francois, QC	**50%**	50%
Staples Plaza – Woodlawn, NS	**50%**	50%
Lansdowne Place, NB	**50%**	50%
201 Chain Lake Drive, NS	**50%**	50%
209 Chain Lake Drive, NS	**50%**	50%
Fundy Retail Ltd., NB	**50%**	50%
Plaza TS Magog, QC	**50%**	-
15260 Yonge Street, ON	**50%**	-
Plaza BDP, QC	**37.5%**	-
CPDRL, QC	**50%**	-

	Ownership Interest	
	December 31, 2006	October 31, 2005
Accounting Method – Equity		
Centennial Plaza Limited Partnership	**10%**	10%
MDO Limited Partnership	**20%**	20%
Trois Rivieres Limited Partnership	**15%**	15%
Village Shopping Centre Limited Partnership	**19.2%**	-
Accounting Method – Cost		
Northwest Plaza Commercial Trust	**10%**	10%

(1) On March 31, 2006 assets of Centre Commercial Theriault Inc. were wound up into Plazacorp Retail Properties Ltd.
(2) On November 1, 2005 SCA Plaza Inc. and McAllister Drive Plaza Inc. were amalgamated with Exhibition Plaza Inc.

b) Income Producing Properties and Properties Under Development

i) Income producing properties

Properties are income producing properties once they begin to generate rental revenues. These income producing properties are carried at cost less accumulated amortization. If events or circumstances indicate that the carrying value of the income producing properties may be impaired, a recoverability analysis is performed based upon estimated nondiscounted cash flows generated from the income producing properties. If the analysis indicates that the carrying value of an income producing property is not recoverable from future cash flows, the income producing property is written down to estimated fair value and an impairment loss is recognized. No impairment has been recognized in the 14 month period ended December 31, 2006 (12 months ended October 31, 2005 – nil).

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

ii) Properties under development

Properties are under development from acquiring the first land piece to the commencement of rental revenue generation. Substantial completion of construction is achieved prior to the generation of these revenues.

iii) Capitalization policy

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

c) 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 income producing properties and therefore accounts for leases with its tenants as operating leases.

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

ii) Straight line rent

Certain leases provide for tenant occupancy during the period for which no rent is due (free rent period) or where minimum rent increases during the term of the lease. Rental revenue is recorded for the fixed term of each lease on a straight-line basis. Accordingly, rental revenue is recorded from tenants for the current difference between the straight-line rent and the rent that is contractually due from the tenant. The accumulation of straight line revenue recorded as rental revenue is included with receivables (see consolidated financial statements note 6).

When a property is acquired the term of existing leases is considered to commence as of acquisition date for the purposes of the calculation.

iii) Investment income

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

d) Amortization

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

Tenant acquisition costs consisting of tenant improvements, tenant allowances and leasing fees are capitalized and amortized over the terms of the related leases on a straight-line basis. For financial statement presentation purposes in the consolidated statement of cash flows, tenant acquisition costs are treated as operating activities.

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

Financing fees and other costs incurred in connection with long-term debt financing are included in deferred charges and are amortized over the term of the related loan. Financing fees on interim debt directly related to properties in development or significant re-development are capitalized to the property and are amortized over 40 years. Other deferred charges are amortized over periods related to their useful life.

e*) Income Taxes*

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

f) Financial Instruments

Generally, trading values for the Company's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Company must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible.

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

The estimated fair value of the Company's long-term debt including mortgage payable, mortgage bonds payable, non-convertible debentures payable, convertible debentures (debt portion), and notes payable is based on the values derived using current interest rates for each related instrument with similar terms and conditions. As at December 31, 2006, the fair value of the Company's long-term debt exceeds the recorded value by $4.9 million (fair value exceeded recorded value by $5.6 million at October 31, 2005).

The Company's fair value of the exposure from mortgage guarantees and indemnities are not readily determinable (note 20c).

As at December 31, 2006, the fair value of the Company's investment in bonds of $5.7 million exceeded its recorded value by $34 thousand.

g) Use of Estimates

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

h) Stock-based Compensation Plans

The Company has a stock-based compensation plan, which is described in note 17. The Company accounts for all stock-based payments that call for settlement by the issuance of equity instruments using the fair value method. Under the fair value method stock based payments are measured at the fair value of the equity instruments issued. Compensation cost, attributable to awards to employees for settlement by the issuance of equity instruments, is measured at fair value at the grant date and recognized over the vesting period. For awards that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis; for awards that vest on a graded basis, compensation cost is recognized on a pro-rata basis over the vesting period.

i) Investments

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

j) Cash and Cash Equivalents

Cash and cash equivalents represent cash in bank accounts and short-term deposits where the deposit could be turned into cash within three months of acquisition.

k) Deficits of Subsidiaries

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

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

l) Goodwill

Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting units goodwill is compared with its carrying amount to measure the amount of the impairment or loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of income. No impairment has been recognized for the 14 month period ended December 31, 2006 (12 months ended October 31, 2005 - nil).

m) Variable Interest Entities

On March 23, 2006 the Company obtained a 19.2% interest in the Village Shopping Center Limited Partnership which owns a 470,000 sq ft enclosed shopping center to redevelop the existing asset. As at December 31, 2006 the property had total assets of $24.6 million and revenues of $5.2 million. As part of the agreement the Company guarantees the development line of credit until completion. The Companies investment in the Village Shopping Centre Limited Partnership of $2.1 million has an equity accounted for value of $1.8 million.

3. Income Producing Properties and Properties Under Development

As at	**December 31, 2006**			October 31, 2005		
(000's)	**Cost**	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**$ 34,281**	**$ -**	**$ 34,281**	$ 24,155	$ -	$ 24,155
Buildings	**130,880**	**(14,134)**	**116,746**	104,763	(10,865)	93,898
Tenant acquisition costs	**38,529**	**(11,474)**	**27,055**	29,283	(9,105)	20,178
Furnishings and equipment	**790**	**(400)**	**390**	636	(319)	317
Parking lot	**3,665**	**(1,040)**	**2,625**	2,660	(875)	1,785
Total income producing properties	**208,145**	**(27,048)**	**181,097**	161,497	(21,164)	140,333
Properties under development	**22,110**	**-**	**22,110**	13,315	-	13,315
Grand total	**$ 230,255**	**$ (27,048)**	**$ 203,207**	$ 174,812	$ (21,164)	$ 153,648

During the 14 month period the Company capitalized $1.3 million of interest and $59 thousand of operational losses from properties under development to the cost of land or buildings (for the 12 months ended October 31, 2005 – $843 thousand and $112 thousand respectively).

4. Intangible Assets and Below Market Leases

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

As at	**December 31, 2006**			October 31, 2005		
(000's)	**Cost**	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Above market leases	**$ 250**	**$ (118)**	**$ 132**	$ 277	$ (59)	$ 218
Value of in place leases	**2,141**	**(964)**	**1,177**	2,548	(662)	1,886
Tenant relationships	**1,894**	**(369)**	**1,525**	1,916	(111)	1,805
Total intangible assets	**$ 4,285**	**$ (1,451)**	**$ 2,834**	$ 4,741	$ (832)	$ 3,909

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

As at (000's)	**December 31, 2006**			October 31, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Below market leases	**$ 1,109**	**$ (508)**	**$ 601**	$ 1,380	$ (430)	$ 950

5. Deferred Charges

Deferred charges consist of the following:

As at (000's)	**December 31, 2006**			October 31, 2005		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Deferred finance charges	**$ 4,708**	**$ (1,505)**	**$ 3,203**	$ 3,659	$ (1,340)	$ 2,319
Other deferred charges	**650**	**(351)**	**299**	510	(176)	334
Total deferred charges	**$ 5,358**	**$ (1,856)**	**$ 3,502**	$ 4,169	$ (1,516)	$ 2,653

Included with financing costs is $713 thousand (2005 - $402 thousand) of amortization expense relating to deferred finance charges. Included with amortization expense is $50 thousand (2005 - $100 thousand) of deferred legal and accounting amortization expense and included with operating expenses is $248 thousand (2005 - $6 thousand) relating to deferred recoverable amortization expense.

6. Receivables

Receivables consist of the following:

As at (000's)	**December 31, 2006**	October 31, 2005
Tenant accounts receivables	**$ 75**	$ 211
Straight-line rent receivables	**2,107**	1,434
Accrued tenant CAM and property taxes	**447**	487
Other receivables	**280**	172
Total receivables	**$ 2,909**	$ 2,304

7. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

As at (000's)	**December 31, 2006**	October 31, 2005
Prepaid expenses – operations	**$ 1,319**	$ 1,826
Prepaid expenses – other	**230**	36
Deposits for acquisitions	**466**	704
Deposits for mortgages	**2,066**	1,418
Total prepaid expenses and deposits	**$ 4,081**	$ 3,984

8. Investments

Investments consist of the following:

As at (000's)	Ownership Position	Preferred Return	Profit After Payment of Preferred Return	December 31, 2006	October 31, 2005
Limited Partnership					
Centennial Plaza Limited Partnership	**10%**	**15%**	**20%**	**$ 562**	$ 510
Commercial Trusts and Trust Subsidiaries					
Northwest Plaza Commercial Trust	**10%**	**-**	**-**	**260**	260
MDO Limited Partnerships(1)	**20%**	**10%**	**30%**	**528**	435
Village Shopping Centre Limited Partnership	**19.2%**	**8%**	**50%**	**1,786**	-
Trois Rivieres Limited Partnership(1)	**15%**	**10%**	**30%**	**308**	700
				2,882	1,395
				3,444	1,905
Other Investments					
Bonds – substituted for mortgage security	**100%**	**3.45%**	**-**	**5,714**	-
Total investments				**$ 9,158**	$ 1,905

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

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

The Company has provided a construction completion guarantee for the Village Shopping Centre Limited Partnership.

Bonds are made up of three Government of Canada Bonds totaling $5,507 thousand maturing June 1, 2007, December 1, 2007 and June 1, 2008 with yields of 4.06%, 4.04% and 4.03% respectively. The balance of $207 thousand is made up of restricted cash that is utilized for monthly mortgage payments. The bonds have been pledged as security on this mortgage.

9. Deficits of Subsidiaries

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

As at (000's)	December 31, 2006	October 31, 2005
Spring Park Plaza Inc.	**$ -**	$ -
Exhibition Plaza Inc.	**38**	46
Granville Street Properties Limited Partnership	**368**	333
Wildan Properties Limited Partnership	**638**	540
	$ 1,044	$ 919

As at December 31, 2006 the excess draws for Spring Park Plaza Inc. exceeded underlying contractual guarantees by $26 thousand and this amount was charged to consolidated net income (October 31, 2005 – $27 thousand).

10. Mortgages Payable

As at (000's)	Average Rate	Maturity Dates	December 31, 2006	October 31, 2005
Fixed rate loans	**6.36%**	**Up to Apr 2020**	**$ 126,467**	$ 87,501
Other fixed rate loans	**9.65%**	**Dec 2009**	**6,034**	6,085
Variable rate loans – regular long term mortgage	**Prime plus 3/4%**	**Oct 2007**	**980**	1,020
Total long-term mortgages			**133,481**	94,606
Variable rate loans - development lines of credit	**Prime plus 5/8%**	**Apr 2007 and Jul 2008**	**16,463**	15,039
Total mortgages payable			**$ 149,944**	$ 109,645

To assist in development activities the Company has two acquisition and development facilities with Canadian Chartered banks totaling $50.0 million, $35.0 million and $15.0 million respectively to fund acquisition and development projects with a limit of $5.0 million and $6.0 million respectively per asset funded. The interest rate on funds drawn is prime plus 5/8% and 1/2%. Standby fees are charged on the unused portion of available funding. Funding is secured by first mortgage charges on properties funded under the facility from time to time. The lines of credit mature on April 23, 2007 and July 31, 2008 respectively. The terms of the facility maturing April 23, 2007 are currently being finalized and the Company expects the line will be extended on acceptable terms.

All long term mortgages are secured by charges against specific assets.

For details on annual principal repayments, see financial statement note 20b.

11. Mortgage Bonds Payable

Mortgage bonds payable of $17.5 million are secured by the following properties:

As at (000's)	**December 31, 2006**			October 31, 2005
	Series II	**Series III**	**Total**	
Tri County, Starrs Road Plaza, Yarmouth, NS, 2nd Mortgage	**$ -**	**$ 2,500**	**$ 2,500**	$ 3,153
Empire Theatre, Starrs Road Plaza, Yarmouth, NS, 1st Mortgage	**805**	**-**	**805**	-
Miramichi Power Center-Phase 2, Miramichi, NB, 2nd Mortgage	**487**	**-**	**487**	30
Kings Road Plaza, Sydney River, NS, 1st Mortgage and 2nd Mortgage	**1,906**	**28**	**1,934**	-
Kenmount Road Plaza, St John's, NL, 1st Mortgage and 2nd Mortgage	**2,589**	**311**	**2,900**	-
Bay Roberts Plaza, Conception Bay South, NL, 2nd Mortgage	**314**	**-**	**314**	-
Boulevard Hebert Plaza, Edmundston, NB, 1st Mortgage	**676**	**-**	**676**	-
Central Avenue Plaza, Greenwood, NS, 2nd Mortgage	**330**	**-**	**330**	-
Grand Falls Mall, Grand Falls, NB, 2nd Mortgage	**-**	**4,661**	**4,661**	-
LeMarchant Road Plaza, St. John's, NL, 2nd Mortgage	**1,449**	**-**	**1,449**	-
KGH Plaza, Miramichi, NB, 2nd Mortgage	**1,444**	**-**	**1,444**	-
Mortgages redeployed during 2006	**-**	**-**	**-**	9,342
Total mortgage bonds outstanding	**$ 10,000**	**$ 7,500**	**$ 17,500**	$ 12,525

Series II and Series III mortgage bonds pay interest at 8.5% and 8% per annum. Series II mature March 31, 2010 and Series III mature between May 26, 2011 and July 15, 2011.

The mortgage bonds have been secured by a first or second charge against the properties.

The Company may redeem up to one-half of the bonds on the third and fourth anniversaries of the initial closing date of the bonds at a price equal to the principal amount.

12. Debentures Payable and Equity Portion of Convertible Debt

Debentures payable consist of the following:

As at			**December 31, 2006**		October 31, 2005	
(000's) **Debentures**	**Maturity Date**	**Interest Rate**	**Debt Component Outstanding**	**Value of Option to Convert**	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series I	April 30, 2008	9.5%	**$ -**	**$ -**	$ 803	$ 34
Series II	October 31, 2008	9.5%	**433**	**19**	2,748	116
Series III	April 30, 2009	8.5%	**6,086**	**279**	9,350	436
Series IV	July 31, 2011	7.0%	**4,865**	**158**	-	-
Total convertible debentures			**11,384**	**456**	12,901	586
Non convertible subordinate debentures	July 31, 2010	8.0%	**5,159**	**-**	3,833	-
Total debentures			**$ 16,543**	**$ 456**	$ 16,734	$ 586

Convertible and non convertible debentures are unsecured.

Convertible debenture terms are as follows:

	Series I	**Series II**	**Series III**	**Series IV**
Conversion price	$1.00	$1.20	$1.60	$4.00
Company's first redemption date	May 1, 2006	November 1, 2006	May 1, 2007	August 1, 2009
First maturity date	April 30, 2008	October 31, 2008	April 30, 2009	July 31, 2011
Face value outstanding, December 31, 2006 (000's)	-	$440	$6,208	$5,000

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

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

During the year, holders of $6.6 million (2005 - $4.7 million) of convertible debentures at face value exercised their option to convert to common shares. Of these amounts $288 thousand (2005 - $192 thousand) was recorded as a reduction to the original equity component and $6.5 million (2005 - $4.5 million) was recorded as a reduction to the debt component; this ratio is consistent with the original equity and debt ratio. A total of 5.0 million (2005 - 4.2 million) common shares were issued on these conversions.

13. Notes Payable

Notes payable consists of the following:

As at (000's)	**Maturity Date**	**Interest Rate**	**December 31, 2006**	October 31, 2005
Interest bearing notes:				
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, President, CEO and Director of the Company	(1)	Prime plus 1%	**$ 2,289**	$ 917
Unrelated party	December 1, 2006	8%	**-**	100
Non-interest bearing notes:				
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Director of the Company	(1)	n/a	**286**	262
Unrelated parties and non-controlling Interests	(1)	n/a	**1,029**	1,287
Total notes payable			**$ 3,604**	$ 2,566

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

For the period ended December 31, 2006 the Company expensed $89 thousand in related party interest.

14. Bank Indebtedness

The Company has a $4.8 million operating line of credit facility with a Canadian chartered bank at the rate of prime plus ¾%, maturing November 30, 2007. $400 thousand of this operating line of credit is reserved for letters-of-credit. This operating line of credit is secured by mortgage charges on Plaza Hotel de Ville and Plaza Theriault in Rivieres-du-Loups, Quebec and the Staples Building in Saint John, New Brunswick.

15. Income Taxes

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

For the Periods Ended (000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Taxes at an effective rate of 41.8% (October 31, 2005 – 41.6%)	**$ 1,976**	$ 66
Permanent differences due to non deductible items	**92**	128
Permanent difference due to minority interest portion of limited Partnership	**(133)**	-
Permanent differences due to mutual fund corporation treatment of capital gains	**(618)**	-
Permanent difference due to an increase in the effective rates	**25**	187
Other	**67**	(198)
Total income tax expense	**$ 1,409**	$ 183

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

As at (000's)	**December 31, 2006**	October 31, 2005
Future income tax assets		
Loss carry-forwards of Plazacorp Retail Properties Ltd.	**$ 3,610**	$ 2,003
Loss carry-forwards of subsidiary corporations	**440**	212
Loss carry-forwards from subsidiary trusts	**2,387**	172
Total future income tax assets	**6,437**	2,387
Future income tax liabilities		
Income producing properties	**12,783**	8,022
Accounts receivables	**895**	617
Deferred financing costs	**492**	186
Total future income tax liabilities	**14,170**	8,825
Net future income tax liability	**$ 7,733**	$ 6,438

Balance sheet presentation of this net future income tax liability is as follows:		
Future income tax asset	**$ (413)**	$ (82)
Future income tax liability	**8,146**	6,520
Net future income tax liability	**$ 7,733**	$ 6,438

As a mutual fund corporation, the Company is entitled to a refund of income taxes paid in respect of realized qualifying capital gains upon payment of sufficient dividends to affect a refund. The Company has earned $421 thousand in refundable capital gains tax of which $269 thousand has been triggered for a refund from the payment of a capital gains dividend. The difference of $152 thousand (October 31, 2005 - $108 thousand) has been recognized as a refundable capital gains tax that will be receivable after payment of $738 thousand in qualifying capital gains dividends.

As at December 31, 2006, the Company and its consolidated subsidiaries had income tax loss carry-forwards in the amount of $15.5 million, expiring as follows:

(000's) Year	**Consolidated Subsidiaries**	**Plazacorp Retail Properties Ltd.**	**Total**
2007	$ 17	$ 850	$ 867
2008	87	303	390
2009	299	-	299
2013	11	1,607	1,618
2014	302	-	302
2015	75	-	75
2025	272	-	272
2026	5,744	5,910	11,654
Total	$ 6,807	$ 8,670	$ 15,477

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

16. Share Capital

a) Authorized

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

b) *Issued and Outstanding*

For the Periods Ended (000's)	**December 31, 2006 Shares**	**December 31, 2006 Amounts**	October 31, 2005 Shares	October 31, 2005 Amounts
Common shares outstanding, beginning of the period	**36,684**	**$ 22,679**	32,288	$ 17,685
Issuance of common shares:				
Shares issued through exercise of stock options	**270**	**476**	88	76
Shares issued through dividend re-investment plan	**178**	**474**	109	205
Shares issued through debt conversion				
- face value debentures	**4,955**	**6,642**	4,199	4,660
- accumulated interest accretion net of finance charges	**-**	**21**	-	53
Common shares outstanding, end of the period	**42,087**	**$ 30,292**	36,684	$ 22,679

As at December 31, 2006, no shares (October 31, 2005 - 3.1 million shares) are subject to escrow provisions.

Pursuant to the Company's Dividend Re-Investment Plan, during the 14 month period ended December 31, 2006, shareholders were issued 178 thousand shares at a weighted average price of $2.67 per share (for the 12 months ended October 31, 2005 – 110 thousand shares at a weighted average of $1.86 per share).

c) Earnings per Share

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share consider the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a negative impact to earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation. As at December 31, 2006 $440 thousand Series II, 6.2 million Series III and $5.0 million Series IV convertible debentures which equates to $367 thousand, 3.9 million and 1.25 million common shares respectively are antidilutive.

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

For the Periods Ended (000's)	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Weighted average number of shares	**40,151**	35,212
Effect of dilutive stock options	**572**	296
Weighted average number of diluted shares	**40,723**	35,508
Net income (loss)	**$ 3,019**	$ (224)
Diluted net income (loss)	**$ 3,019**	$ (224)

17. Stock Options / Contributed Surplus

The Company has a stock option plan whereby directors and certain employees of the Company or its affiliates may be granted stock options at an exercise price not less than 100% of the market value on the date of grant.

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

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

For the Periods Ended	**Directors Options**		**Employees Options**	
(000's)	**December 31, 2006**	October 31, 2005	**December 31, 2006**	October 31, 2005
Options outstanding, start of the period	**255**	-	**1,391**	144
Options granted	**-**	255	**100**	1,360
Options expired	**-**	-	**(25)**	(25)
Options exercised	**(110)**	-	**(160)**	(88)
Options outstanding, end of the period	**145**	255	**1,306**	1,391
Outstanding options that are exercisable	**25**	-	**299**	31

Details of options outstanding are as follows:

(000's) - Except exercise price	**Exercise Price**	**Options Outstanding**	**Expiry Date**	**Options Exercisable**
Series III	$1.72	1,331	February 2, 2010	324
Series III	$1.85	20	April 14, 2010	-
Series IV	$2.75	100	April 11, 2011	-

The Company recorded $40 thousand in compensation expense related to stock options for the 14 month period ended December 31, 2006 (12 months ended October 31, 2005 – $20 thousand).

The amount of compensation expensed for Series III options not exercised at the end of the period is $43 thousand (October 31, 2005 - $23 thousand). The amount of compensation expensed from Series IV options not exercised at the end of the period is $8 thousand (October 31, 2005 – nil). The cumulative amount of $51 thousand (October 31, 2005 - $27 thousand) is accounted for as Contributed Surplus.

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

	Series II	**Series III**	**Series IV**
Expected life of options	5 years	5 years	5 years
Volatility	18%	16%	17%
Risk free rate of return	5.4%	3.58%	4.34%
Dividend rate	0%	6.10%	4.55%

The weighted average grant date fair value of option issued during the 14 month period ended December 31, 2006 is $26 thousand (12 months ended October 31, 2005 - $91 thousand).

18. Related Party Transactions

Plaza Atlantic Limited (the "Property Manager"), a private Corporation controlled by some of the Company's directors, namely Earl Brewer and Michael Zakuta are engaged to act as the Company's Property Manager. The Property Manager is responsible for all property management functions including leasing, operations and maintenance, and also assists the Company on acquisition, financing, development activities and other management decisions. These fees charged by Plaza Atlantic Ltd. are part of the normal course of business operations.

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

Property Management	4% of gross rents paid. (November 1, 2005 to December 31, 2006) 5% of gross rents paid. (November 1, 2004 to October 31, 2005)
Leasing	4% of rental revenue per year for first five years of a lease term. 2% of rental revenue per year for year's six to ten of a lease term. Leasing fees for renewal are at 50% of the above.
Development	4% of costs of construction on development projects. 10% of tenant improvement costs on non-development projects.
Financing	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Acquisitions	2% of the purchase price of assets or capitalized value of third party land leases.
Dispositions	1 ½ % of the gross proceeds on disposition of assets.
Legal Services	Cost recovery basis, currently $142 per hour.

For properties that are consolidated, the consolidated fees charged by the Property Manager are as follows:

For the Periods Ended (000's) **Fee Category**	**Included for Reporting Purposes In**	**14 Months Ended December 31, 2006**	12 Months Ended October 31, 2005
Management fees	Property operating expenses	**$ 1,436**	$ 1,260
Leasing fees	Tenant acquisition costs and property operating expense	**1,475**	1,260
Development fees	Income producing properties	**865**	980
Financing fees	Deferred charges and income producing properties	**330**	141
Acquisition fees	Income producing properties	**275**	88
Disposition fees	Gain on disposal of income producing properties	**165**	-
Legal services	Varies depending on nature of service	**398**	251
Total fees billed by the Property Manager		**$ 4,944**	$ 3,980

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

As at (000's)	**December 31, 2006**	October 31, 2005
Included with accounts payable and accrued liabilities	**$ 1,304**	$ 461

The Directors own directly or indirectly mortgage bonds, non-convertible debentures, and convertible debentures of the Company, purchased at various times at the face value, as follows:

As at (000's)	**December 31, 2006**	October 31, 2005
Richard Hamm, Director	**$ 325**	$ 775
Michael Zakuta, Director	**1,200**	1,749
Edouard Babineau, Director	**600**	700
Earl Brewer, Director	**658**	820
Stephen Johnson, Director	**1,275**	1,125
Barbara Trenholm, Director	**264**	100
Willard L'Heureux, former Director	**200**	650
Total related party mortgage bonds and debentures held	**$ 4,522**	$ 5,919

For the period ended December 31, 2006, Series I mortgage bonds were redeemed by the Company from Directors or companies controlled by Directors, Earl Brewer ($50 thousand), Michael Zakuta ($225 thousand), Stephen Johnson ($220 thousand) and Richard Hamm ($75 thousand).

For the period ended December 31, 2006, Series II debentures were converted by Directors of the Company or companies owned and controlled by Director, Richard Hamm ($350 thousand), and Willard L'Heureux ($200 thousand) resulting in the issuance of 458 thousand shares.

For the period ended December 31, 2006, Series III debentures were converted by Directors of the Company, or companies owned and controlled by Directors, Michael Zakuta ($874 thousand), Earl Brewer ($300 thousand), and Richard Hamm ($200 thousand), Willard L'Heureux ($250 thousand), and Ed Babineau ($500 thousand) resulting in the issuance of 1.3 million shares.

For the period ended December 31, 2006 the cumulative mortgage bonds, convertible and non convertible debentures acquired by Directors of the Company are as follows: Richard Hamm ($175 thousand); Michael Zakuta ($550 thousand); Edouard Babineau ($400 thousand); Earl Brewer ($188 thousand); Stephen Johnson ($370 thousand); Barbara Trenholm ($164 thousand).

TC Land LP, a wholly owned subsidiary of TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer purchased the land underlying V8 Plaza, New Glasgow, NS subject to a ground lease with Plazacorp, and are now the lessor under the lease at an annual rent of $87 thousand. TC Land REIT also entered into a land lease with the Company on the Conception Bay South Plaza with an annual rent of $109 thousand, and entered into a land lease with Plaza BDP with an annual rate of $124 thousand.

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

19. Interest in Joint Ventures

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

As at and for the Periods Ended (000's)	**December 31, 2006**	October 31, 2005
Assets	**$ 50,488**	$ 43,331
Liabilities	**35,425**	31,271
Rental income	**8,867**	7,495
Expenses, including financing costs but excluding amortization	**5,804**	5,419
Net income	**1,377**	1,449
Funds from (applied to)		
Cash flow from operating activities	**2,661**	1,595
Cash flow from financing activities	**3,983**	472
Cash flow from investing activities	**(7,081)**	(1,350)

20. Contingencies, Commitments, Guarantees and Indemnities

a) Contingencies

The Company's bankers have issued letters-of-credit in support of the Company's obligations under certain long-term mortgages. The facility is secured by Personal Property Security Act (PPSA) charges in each province and matures September 2007. The facility, under which the letters-of-credit are issued, requires that the Company maintain certain financial ratios to comply with the facility. As at December 31, 2006, $500 thousand (October 31, 2005 - $450 thousand) of such letters-of-credit were issued and outstanding and the Company was in compliance with the terms of the credit facility.

b) Commitments

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

(000's) **For the Years Ending**	**2007**	**2008**	**2009**	**2010**	**2011**	**After 5 Years**	**Total**
Mortgages	$ 20,032	$ 10,635	$ 10,532	$ 4,817	$ 5,297	$ 98,631	**$ 149,944**
Bonds and debentures – face value	-	440	6,208	15,159	12,500	-	**34,307**
Operating land leases (1)	1,739	1,742	1,790	1,798	1,789	86,683	**95,541**
Development activities	30,668	-	-	-	-	-	**30,668**
Total contractual obligations	**$ 52,439**	**$ 12,817**	**$ 18,530**	**$ 21,774**	**$ 19,586**	**$ 185,314**	**$ 310,460**

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

c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. The Company has recourse under these guarantees in the event of default by the purchaser, in which case the Company would have a claim against the underlying property. The estimated amount of the debt subject to such guarantees at December 31, 2006 is $8.1 million (October 31, 2005 – $8.3 million) with an estimated weighted average remaining term of 5.7 years (October 31, 2005 – 6.9 years). On March 7, 2007 the Company sold its interests in the properties to which the guarantees relate.

The mortgage on Lansdowne Place contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is $3.5 million (October 31, 2005 - $3.6 million). Plazacorp indemnifies its co-venturer in respect of the cross-default provisions through the co-ownership agreements governing Lansdowne Place, Staples Plaza Dartmouth and Les Promenades St. Francois including cross-default provisions in support of this indemnity. Subsequent to year end Lansdowne Place and Staples Plaza Dartmouth were sold to the co-venturer, and Les Promenades St. Francois was acquired from the co-venturer (see subsequent events note 24).

The Company is contingently liable for certain obligations of a co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan. As at December 31, 2006 the total exposure on this cross-guarantee is $799 thousand (October 31, 2005 - $834 thousand).

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

The Company assumed a guarantee for the completion of construction for a $15.8 million development line of credit held by the Village Shopping Centre Limited Partnership.

The fair value of the Company's exposure from mortgage guarantees is not readily determinable.

21. Litigation

Plazacorp is involved in litigation and claims in relation to its income producing properties from time-to-time. In Management's opinion, any liability that may arise from such litigation would not have a significant adverse effect on these financial statements.

22. Risk Management

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

a) Interest Rate Risk

Interest rate risk arises for every 100 basis points increase to interest rates, it would increase interest expense and decrease pre-tax earnings in the annual amount of $1.8 million.

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

b) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Company mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The Company also initiates thorough credit assessments on all new leasing.

23. Comparative Figures

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

24. Subsequent Events

Between December 31, 2006 and April 12, 2007 the following material activities have taken place:

Debentures

$200 thousand of Series II and $1.3 million of Series III convertible debentures were converted to shares and 987 thousand shares were issued.

Acquisition and Dispositions

The Company purchased land in North Sydney, NS, Shediac, NB, Trois Rivieres, QC, New Minas, NS, Sussex, NB, Bedford, NS, Truro, NS and Sherbrooke, QC for future development for a total investment of $7.3 million.

The Company acquired the remaining 50% interest in St. Francois, Laval, QC property with a total net cash investment of $1.2 million.

The Company sold its 50% interest in Lansdowne Place, Saint John, NB and Staples Plaza, Dartmouth, NS for gross proceeds of $13.5 million resulting in an accounting gain of $2.8 million.

The Company has sold the land at Kenmount Road Plaza, Saint John's, NL and Kings Road Plaza, Sydney River, NS to TC Land REIT a related party at cost for the amount of $2.1 million. The Company then entered into land leases totalling $142 thousand annually for five year terms with renewal options.

Financing

The Company obtained long-term financing of $17.8 million with terms between 1 and 10 years at an average interest rate of 5.39%.

The Company repaid $1.7 million in interest bearing related party notes payable.

Stock Options

163 thousand options were exercised and converted to 163 thousand shares for $280 thousand in cash consideration.