



PLAZACORP RETAIL
PROPERTIES LTD.

**PLAZACORP RETAIL PROPERTIES LTD.
ANNUAL REPORT**

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

**FOR THE YEAR ENDED
OCTOBER 31, 2005**

DATED: FEBRUARY 21, 2006

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PRESIDENT'S MESSAGE

Fellow Shareholders:

I am pleased to report on our results for the year ended October 31, 2005. Our portfolio of properties and our financial strength have grown substantially over the last year. The Management Discussion and Analysis and Consolidated Financial Statements following these remarks provide a comprehensive review of our activities during the year. I encourage everyone to read them thoroughly.

In 2005, our acquisition and development activity grew the current portfolio from an interest in 45 properties to 55 at year end. We completed development on several properties at the end of 2005. More properties slated for development have been added subsequent to year end. 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 year, we were actively engaged in raising new capital for Plazacorp Retail Properties Ltd. We issued \$10.0 million of 8.5% Mortgage Bonds and \$3.8 million of 8% Subordinate Debentures and retired \$2.5 million of 12% Mortgage Bonds.

During the year, Plazacorp was able to increase the Company's Net Property Operating Income by 15% and funds from operations by 17% as noted in the Management Discussion and Analysis. Our asset base grew to \$172 million, an increase of 25% over 2004.

As a result we are able to pass on our success to our shareholders by increasing the dividend to 12.5¢ per share annually from the previously stated dividend of 10.5¢ per share annually, commencing with the February 15, 2006 quarterly dividend.

Going forward, we will continue to seek investment opportunities that fit the parameters of the acquisition and development discipline we are dedicated to follow. Adhering to a rigorous process and remaining focused on our strengths will continue to produce long-term results that will benefit all our shareholders.

I wish to thank all the people responsible for our success: the staff of Plazacorp and our property manager, Plaza Atlantic, for their commitment to advancing Plazacorp's business professionally and profitably; the Board of Directors who have provided invaluable advice; our customers; and our Shareholders and bondholders for entrusting us with the capital to make it all possible.

Sincerely,



Michael Zakuta
President and CEO

PLAZACORP RETAIL PROPERTIES LTD.

PART I

FORWARD-LOOKING DISCLAIMER

Management's discussion and analysis ("MD&A") of the consolidated financial position and the results of operations of Plazacorp Retail Properties Ltd. (hereinafter referred to as "Plazacorp" or the "Company") for the year ended October 31, 2005 should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the year ended October 31, 2005, with the MD&A for the year ended October 31, 2004, including the section on "Risks and Uncertainties", and with the consolidated financial statements and the notes thereto for the year ended October 31, 2004. 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 February 21, 2006 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 the Company and the 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 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, it can be used to measure Plazacorp's ability to service debt, fund capital needs and expand the business.

Management uses EBITDA to compute two ratio's 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 financing costs).
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 Canadian Institute of Public and Private Real Estate Companies (CIPPREC) (now REAL PAC). Plazacorp has adopted the CIPPREC (REALPAC) white paper on FFO dated November 2004 as the basis for computing the FFO. FFO for prior reporting periods has been restated to reflect the new standard. 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 historic cost amortization and future income taxes.

PLAZACORP RETAIL PROPERTIES LTD.

PROPERTIES OWNED BY THE COMPANY

Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy or Committed Leasing as at 31-Oct-05	Notes
<u>Strip Plazas</u>						
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,479	100%	20,479	91.4%	
Plaza Super C	Shawinigan, QC	129,923	100%	129,923	100.0%	
Les Promenades St. Francois	Laval, QC	55,332	50%	27,666	99.0%	
Plaza Theriault	Rivière-du-Loup, QC	25,780	100%	25,780	100.0%	1
Terrace Dufferin	Valleyfield, QC	17,567	50%	8,784	100.0%	
Carrefour des Seigneurs	Terrebonne, QC	34,153	25%	8,538	84.3%	
Exhibition Plaza	Saint John, NB	74,700	55%	41,085	100.0%	1
Nashwaaksis Plaza	Fredericton, NB,	56,794	100%	56,794	100.0%	
Wedgewood Plaza	Riverview, NB	12,768	100%	12,768	100.0%	
FHS Plaza	Fredericton, NB	24,280	100%	24,280	100.0%	
Lansdowne Place	Saint John, NB	204,344	50%	102,172	95.6%	
McAllister Drive Plaza	Saint John, NB	19,275	55%	10,601	100.0%	1
SCA Plaza	Saint John, NB	17,430	55%	9,587	100.0%	1
Crown Street	Saint John, NB	28,793	100%	28,793	90.4%	2
Empire Plaza	Fredericton, NB	13,743	100%	13,743	100.0%	1
Connell Road Plaza	Woodstock, NB	19,645	100%	19,645	100.0%	
Miramichi Power Centre-Phase I	Miramichi, NB	38,350	100%	38,350	93.4%	
Boulevard Plaza	Moncton, NB	83,021	100%	83,021	100.0%	1
Madawaska Road Plaza	Grand Falls, NB	10,410	100%	10,410	100.0%	
Main Place	Fredericton, NB	31,284	100%	31,284	100.0%	1
Staples Plaza	Dartmouth, NS	153,387	50%	76,694	98.0%	
Staples Plaza	New Glasgow, NS	33,753	100%	33,753	100.0%	1
Tacoma Centre	Dartmouth, NS	156,498	100%	156,498	100.0%	
Commercial St. Plaza	New Minas, NS	15,342	100%	15,342	100.0%	
V-8 Plaza	New Glasgow, NS	13,400	100%	13,400	100.0%	1
209 Chain Lake Drive	Halifax, NS	85,941	50%	42,971	100.0%	
201 Chain Lake Drive	Halifax, NS	118,498	50%	59,249	94.0%	
303 Main St. Plaza	Antigonish, NS	21,131	100%	21,131	75.2%	
Welton Street Plaza	Sydney, NS	20,975	100%	20,975	100.0%	1
Tacoma Valley Field	Dartmouth, NS	29,654	100%	29,654	67.8%	1
University Plaza	Charlottetown, PEI	62,046	43%	26,680	100.0%	
Belvedere Plaza	Charlottetown, PEI	77,266	60%	46,360	100.0%	
Granville Street Plaza	Summerside, PEI	67,916	60%	40,750	97.6%	
Spring Park Plaza	Charlottetown, PEI	46,458	85%	39,489	100.0%	
Sub-total		1,820,206		1,326,536	97.3%	
<u>Enclosed Malls</u>						
Les Galeries Montmagny	West Tache, Montmagny, QC	134,171	50%	67,086	96.8%	
Grand Falls Shopping Mall	Grand Falls, NB	148,558	100%	148,558	93.0%	
Gateway Mall	Sussex, NB	142,303	25%	35,376	95.6%	
Les Promenades du Cuivre	Rouyn-Noranda, QC	125,777	100%	125,777	94.3%	
Oromocto Mall	Oromocto, NB	83,054	100%	83,054	99.8%	
Starrs Road	Yarmouth, NS	55,466	100%	55,466	88.1%	2
Sub-total		689,329		515,516	94.9%	
<u>Single Use</u>						
Bureau en Gros	Granby, QC	25,695	50%	12,848	100.0%	
Bureau en Gros	Rimouski QC	25,771	50%	12,886	100.0%	
912 East River Road Plaza	New Glasgow, NS	16,912	100%	16,912	100.0%	
681 Mountain Road	Moncton, NB	19,504	100%	19,504	100.0%	
Business Depot	Saint John, NB	25,293	100%	25,293	100.0%	1
Sub-total		113,175		87,443	100.0%	
Total Income Producing Properties		2,622,710		1,929,495	96.8%	

PLAZACORP RETAIL PROPERTIES LTD.

Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy or Committed Lease as at 31-Oct-05	Anticipated Change to Income Producing Status
<u>Projects Under Development</u>						
Major Brook Drive	Saint John, NB	40,918	100%	40,918	85.7%	Q1 06
Champlain Plaza	Dieppe, NB	48,208	100%	48,208	89.9%	Q1 06
Pleasant Street Plaza	Yarmouth, NS	25,500	100%	25,500	60.8%	Q2 06
Miramichi Power Centre-Phase 2	Miramichi, NB	19,000	100%	19,000	31.6%	Q3 06
St. Peters Avenue	Bathurst, NB	22,036	100%	22,036	77.3%	Q1 07
Sub-total		155,662		155,662	75.1%	
Total Excluding Non-Consolidated Trusts and Partnerships		2,778,372		2,085,157	95.6%	
<u>Holdings of Non-Consolidated Trusts and Partnerships</u>						
Marche De L'Ouest	Dollard des Ormeaux, QC	122,778	20%	24,556	94.5%	
Trois Riveires Limited Partnership	Trois Rivieres, QC	73,000	15%	10,950	53.4%	Q2 06
Place Du Marche	Dollard des Ormeaux, QC	35,264	10%	3,526	97.5%	
Centennial Plaza	Dollard-des-Ormeaux, QC	152,239	10%	15,224	90.0%	
Northwest Centre	Moncton, NB	176,831	10%	17,683	99.0%	
Sub-total		560,112		71,939	89.8%	
Grand Total		3,338,484		2,157,096	94.6%	

Note: 1. Interest held subject to a ground lease.
2. Properties under partial re-development as at October 31, 2005.
3. Property is consolidated effective September 1, 2005 when the remaining 90% of the units of Plaza LPC Commercial Trust were acquired.

Madawaska Road Plaza, 303 Main St. Plaza and 912 East River Road Plaza, Miramichi Power Centre, and Tacoma Shoppers became income producing properties during the year ended October 31, 2005. For a significant portion of the year these properties were under development.

As at October 31, 2005 the Company owns interests in 55 properties including land held for development directly and through subsidiaries and joint ventures.

Subsequent to October 31, 2005 the Company acquired lands located on St. Anne Street in Bathurst, New Brunswick, University Avenue in Charlottetown, PE, and in Magog, QC, for the proposed development of strip plazas, increasing total properties to 58 as at February 21, 2006.

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 redevelops retail real estate throughout Quebec and Atlantic Canada. The Company's portfolio as at October 31, 2005 currently includes interests in 55 properties totaling 3.3 million square feet (ft²) and one parcel of land held for development. These include properties directly held by Plazacorp as well as investments in joint ventures and other structures. Acquisitions and developments completed subsequent to October 31, 2005 are detailed in the consolidated financial statements in Note 23 Subsequent Events.

STRATEGY

Plazacorp's principal goal is to deliver a reliable and growing yield to shareholders from a balanced portfolio of retail properties.

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In order to remain successful, the Company must:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions;
- acquire properties at a price consistent with the Company's targeted returns on investment of 16% on a leveraged return basis after re-development or re-tenanting;
- maintain high occupancy rates on existing properties while sourcing tenants for current and future acquisitions; and,
- diligently manage costs and maintain quality of the properties.

The Company uses a diversified investment strategy that includes the following acquisition types:

- strategic financial investments in existing properties that will provide stable recurring cash flows with opportunity for growth;
- development of new properties on behalf of existing clients or in response to demand as established by pre-leasing a major portion of proposed space; and,
- re-development of well located but significantly depreciated shopping malls and strip plazas.

The Board of Directors approves all Plazacorp acquisitions with a view toward accepting only those that fit the portfolio at a favourable rate of return.

Management intends to achieve Plazacorp's goals by:

- acquiring high-quality properties with the potential for increases in future cash flow;
- focusing on property leasing, operations and delivering superior service to tenants;
- managing properties to maintain high occupancies;
- increasing rental rates when market conditions permit;
- managing debt to obtain both an efficient cost and a staggered debt maturity profile to reduce financing costs;
- raising capital where required in the most cost effective/value creating manner for our shareholders; and,
- periodically review the portfolio to determine if opportunities exist to redeploy unrealized equity in slow growth properties into higher growth activities. The Company has no current plans to dispose of properties.

BUSINESS ENVIRONMENT

To date in 2006 and throughout 2005 and 2004, leasing markets and investment markets were generally healthy. Retail occupancies and rents have remained stable due to the strength of consumer spending. Management anticipates that occupancies and rents will remain healthy throughout the remainder of 2006 barring an economic downturn.

We witnessed low inflation in 2005 and throughout 2004. This combined with a low cost of debt environment, in comparison to recent history has permitted Plazacorp to place its debt at favourable rates and terms on the assets that were positioned to be permanently financed. 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 on investments. Plazacorp remains committed to its disciplined purchase strategy in this environment.

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

- Increasing occupancies;
- Increasing rental rates;
- Improving tenant service which should lead to higher tenant retention; and,
- Maintaining a competitive occupancy cost structure to keep gross rental rates competitive.

Management believes that the key external performance drivers are:

- The availability of new property acquisitions which fit into Plazacorp's portfolio;
- The availability of equity and debt capital at a reasonable cost; and,
- The desire of retailers to expand capacity and open in new markets.

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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 which indicate the Company's ability to service debt;
- "Same-asset" net property operating income, revenue and expense;
- Weighted average cost of debt and debt maturity pattern; and,
- Occupancy levels.

Management believes that its key performance measures allow it to track progress towards the achievement of Plazacorp's primary goal of providing a steady and increasing cash flow to our shareholders.

PART II

PERFORMANCE SUMMARY

The 2005 fiscal year has been a very active period for Plazacorp. The Company is in a development period and expects activities commenced in 2005 to increase its income producing assets significantly over the next year.

The key performance indicators discussed throughout the MD&A and summarized below address how Management measures performance and progress, and how shareholders realize the benefits. For a detailed explanation of the key performance indicators please refer to the appropriate section in this MD&A.

KEY PERFORMANCE INDICATORS SUMMARY

- **FUNDS FROM OPERATIONS (FFO)**
 - ⇒ For the quarter ended October 31, 2005 FFO was 5.0¢ compared to 4.6¢ per share for the same period in 2004 and increased from 15.7¢ to 16.5¢ for the year compared to 2004.
- **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)**
 - ⇒ Increase of 8.5% compared to same quarter last year and increased 8.5% annually over 2004.
- **DEBT SERVICE RATIOS – EXCLUDING IMPACT OF CONVERTIBLE DEBENTURES**
 - ⇒ Interest Coverage Ratio – increase of 0.1 times over 2004.
 - ⇒ Debt Service Coverage Ratio – increase of 0.1 times over 2004.
- **OCCUPANCY**
 - ⇒ Increase year-over-year in strip plazas by 1.9%.
 - ⇒ Decrease in enclosed malls of 1.1%.
 - ⇒ Single use properties unchanged at 100% occupancy.
 - ⇒ Overall occupancy at 96.8% excluding non-consolidated trusts and partnerships and properties under development.
- **SAME-ASSET NET PROPERTY OPERATING INCOME**
 - ⇒ Increased 6% for the quarter ended October 31, 2005 and 3% year-to-date compared to 2004.
- **WEIGHTED AVERAGE COST OF DEBT**
 - ⇒ Decrease in the weighted average cost of debt for permanent fixed long-term mortgage debt of 74 basis points over the same period in 2004.

OUTLOOK

The primary benefit to Shareholders of the Company's performance is a reliable and, over time, increasing dividend. Dividends to shareholders were 10.5¢ per share for 2005. For 2006, and the Company has increased dividend distributions to 12.5¢ per share beginning February 15, 2006.

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 2006, as well as a significant increase to the size of the portfolio.

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SUMMARY OF FUNDS FROM OPERATIONS (“FFO”)

Plazacorp’s Summary of FFO for the current period in comparison to previous reporting period is presented below:

	Period Ending October 31, 2005		Period Ending October 31, 2004	
	3 months	12 months	3 months	12 months
	\$	\$	\$	\$
Total revenue	8,090	28,716	6,830	25,253
Basic (loss) earnings per share	(0.001)	(0.006)	(0.001)	0.077
Diluted (loss) earnings per share	(0.001)	(0.006)	(0.001)	0.075
Net (loss) income	(44)	(224)	(24)	2,437
Gain on sale of property	-	-	(398)	(2,941)
Income tax expense (recovery)	2	183	70	80
Amortization	1,956	6,515	1,906	6,006
Non-controlling interests	2	194	204	352
Financing costs	2,433	8,640	2,249	8,174
Earnings before interest, income taxes depreciation and amortization (EBITDA)	4,349	15,308	4,007	14,108
Less:				
Financing costs	(2,433)	(8,640)	(2,249)	(8,174)
Current income taxes	87	(21)	(64)	(177)
Equity component of debenture interest	27	122	38	118
Non-controlling interest in FFO	(202)	(890)	(242)	(832)
Corporate amortization	(13)	(53)	(17)	(67)
Basic funds from operations (FFO)	1,815	5,826	1,473	4,976
Interest on outstanding debentures	284	1,264	402	1,035
Diluted FFO	2,099	7,090	1,875	6,011
Basic weighted average shares outstanding	36,255	35,212	31,965	31,702
Basic FFO per share	0.050	0.165	0.046	0.157
Diluted shares outstanding per consolidated financial statements	36,668	35,508	32,026	35,238
Diluted effect of excluded convertible debentures	9,201	9,201	13,400	5,805
Total diluted shares outstanding	45,869	44,709	45,426	41,043
Diluted FFO per share	0.046	0.159	0.041	0.147

Certain comparative figures have been reclassified to conform to the presentation for the current year including the adoption of the REALPAC (CIPPREC) white paper on FFO of November 2004. Comparative FFO has been restated to the new standard.

Diluted FFO includes the impact of convertible debentures not dilutive to net income but dilutive to FFO (see note 15c of the consolidated financial statements October 31, 2005).

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➤ KEY PERFORMANCE INDICATOR

For the year ended October 31, 2005 FFO was up 17% overall and on a per share basis was 16.5¢ per share (15.9¢ diluted) compared to 15.7¢ per share (14.7¢ diluted) for the corresponding 2004 year end. For the three months ended October 31, 2005 basic funds from operation were up 23% overall and on a per share basis were 5.0¢ per share compared to 4.6¢ for the same period in 2004 (4.6¢ diluted versus 4.1¢ for 2004). Re-estimation of current and future income taxes favourably impacted the FFO by \$87 thousand or 0.3¢ per share during the quarter. This was offset by unfavourable adjustments to common cost recoveries.

The Company has significant funds invested in the equity of projects under development or significant re-development. In addition to new developments Starrs Road Plaza, Lansdowne Place, Oromocto Mall and 201 Chain Lake Drive were in re-development programs during the year. Funds invested in re-development of these assets did not generate earnings in the year.

Administrative costs were higher year-to-date compared to prior periods due to accounting, auditing and staffing costs. Other costs were up primarily due to inflation.

These factors and several minor adjustments produce a current period FFO consistent with management's expectations for the Company during a development period. Increases in funds from operations, as assets which were in development during 2005 become income producing, are expected to occur over the next twelve months. The Company is continuing its development program for 2006 and anticipates these asset additions will enhance FFO in late 2006 and 2007.

SUPPLEMENTAL DISCLOSURE – FUNDS FROM OPERATIONS (FFO)

(000's) For the Years Ended October 31,	2005	2004
Non Cash Items Included in FFO		
Straight line rent	\$ 838	\$ 605
Above and below market rent	211	191
Amortization of deferred finance charges	402	186
Capital Expenditures for Completed Projects		
Square feet constructed	201,220	75,188
Building cost per square foot (excluding land)	\$ 67.14	\$ 65.82
Tenant allowance per square foot	21.30	22.98
Leasing commission cost per square foot	5.32	6.48
Total	\$ 93.76	\$ 95.28

Costs for completed projects span a 2 year period based on completed projects.

Tenant Acquisition Costs for New Leasing	2005	2004
Tenant acquisition costs – new tenants		
Square feet	300,489	135,198
Tenant allowance	\$ 18.31	\$ 20.84
Leasing commissions	\$ 4.67	\$ 4.17
Tenant acquisition costs – renewed tenants		
Square feet	59,813	54,571
Tenant allowance	\$ 1.45	\$ 2.07
Leasing commissions	\$ 1.84	\$ 0.96

Cost for new and renewed tenants span a 2 year period based on new leasing.

Tenant acquisition costs detailed in operating activities include:

(000's) For the Years Ended October 31,	2005	2004
Tenant acquisition cost for income producing properties	\$ 1,085	\$ 989
Tenant acquisition costs for properties under development	5,599	8,926
Total	\$ 6,684	\$ 9,915

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Tenant acquisition costs on income producing properties relate primarily to expenditures on anchor tenant relocations and expansions at the Oromocto Mall, Nashwaaksis Plaza and Lansdowne Place properties during the year.

(000's)	2005	2004
For the Years Ended October 31,		
Capital expenditures in development properties	\$ 35,332	\$ 21,158
Acquisitions during the year	11,222	25,765
Total gross additions during the year	\$ 46,554	\$ 46,923

Assets Under Development October 31, 2005	Property Type	Property Status	Square Footage	Ownership Interest Acquired
Miramichi Power Centre Phase 2, Miramichi, NB	Strip Plaza	Under Construction	19,000	100%
Champlain Plaza, Dieppe, NB	Single Use	Under Construction	48,208	100%
Majors Brook Drive, Saint John, NB	Strip Plaza	Under Construction	40,918	100%
Pleasant Street Plaza, Yarmouth, NS	Strip Plaza	Under Construction	25,500	100%
St. Peters Avenue, Bathurst, NB	Strip Plaza	Under Construction	22,036	100%
110 Crown Street, Saint John, NB	Strip Plaza	Under Substantial Redevelopment	28,793	100%
Starrs Road, Yarmouth, NS	Enclosed Mall	Under Substantial Redevelopment	55,466	100%

➤ KEY PERFORMANCE INDICATOR

During the periods ended October 31, 2005 and 2004 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and associated liquidity measures were as follows:

(000's)	2005		2004	
	Three Months	Twelve Months	Three Months	Twelve Months
For the Years Ended October 31,				
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	\$ 4,349	\$ 15,308	\$ 4,007	\$ 14,108
Interest related to debenture accretion	\$ 27	\$ 122	\$ 30	\$ 118
Interest on outstanding debentures	284	1,264	402	1,035
Total debenture interest	311	1,386	432	1,153
Financing cost - excluding debenture interest	2,122	7,254	1,895	7,021
Total financing costs	2,433	8,640	2,327	8,174
Periodic mortgage principal repayments	491	1,771	420	1,611
Total annual debt service	\$ 2,924	\$ 10,411	\$ 2,747	\$ 9,785
Including Impact of Convertible Debentures				
Interest coverage ratio	1.8 times	1.8 times	1.8 times	1.7 times
Debt service coverage ratio	1.5 times	1.5 times	1.5 times	1.4 times
Excluding Impact of Convertible Debentures				
Interest coverage ratio	2.0 times	2.1 times	2.2 times	2.0 times
Debt service coverage ratio	1.7 times	1.7 times	1.8 times	1.6 times

Management views these indicators as acceptable and indicative of the continued ability to adequately service the Company's debt and maintain stable cash flows.

PROPERTY AND CORPORATE PERFORMANCE 2005 AND 2004

The majority of the increase in revenue from properties was attributable to new acquisitions and development during 2005 and 2004. Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the 12 months ended October 31, 2005 and for the entire 12 months ended October 31, 2004.

PLAZACORP RETAIL PROPERTIES LTD.

The following properties were acquired or developed subsequent to November 1, 2003 and are not included in the same asset category.

2005 Acquisitions				Ownership	Nature of
Property	Property Type	Date Acquired	Square Footage	Interest Acquired	Interest
Miramichi Power Centre, Miramichi, NB	Strip Plaza	Apr-04	38,350	100%	Freehold
912 East River Road, New Glasgow, NS	Single Use	Dec-04	16,912	100%	Freehold
303 Main Street, Antigonish, NS	Strip Plaza	Dec-04	21,131	100%	Freehold
Champlain Plaza, Dieppe, NB	Strip Plaza	Dec-04	48,208	100%	Freehold
Gateway Mall, Sussex, NB	Enclosed Mall	Dec-04	142,303	25%	Freehold
Tacoma Shoppers, Dartmouth, NS	Single Use	Jan-05	29,654	100%	Freehold
110 Crown Street, Saint John, NB	Strip Plaza	Oct-05	28,793	100%	Leasehold
Pleasant Street Plaza, Yarmouth, NS	Strip Plaza	Jul-05	25,500	100%	Freehold

2004 Acquisitions				Ownership	Nature of
Property	Property Type	Date Acquired	Square Footage	Interest Acquired	Interest
Carrefour des Seigneurs, Terrebonne, QC	Strip Plaza	Dec-03	34,153	25%	Freehold
Main Place, Fredericton, NB	Strip Plaza	Dec-03	31,284	100%	Leasehold
Boulevard Plaza, Moncton, NB	Strip Plaza	Feb-04	83,021	100%	Leasehold
209 Chain Lake Drive, Halifax, NS	Strip Plaza	Mar-04	85,941	50%	Freehold
681 Mountain Road, Moncton, NB	Single Use	Mar-04	19,504	100%	Freehold
Welton Street Plaza, Sydney, NS	Strip Plaza	Apr-04	20,975	100%	Leasehold
201 Chain Lake Drive, Halifax, NS	Strip Plaza	Apr-04	118,498	100%	Freehold
Madawaska Road Plaza, Grand Falls, NB	Strip Plaza	May-04	10,410	100%	Freehold
Tri County Mall, Yarmouth, NS	Strip Plaza	Jul-04	55,466	100%	Freehold
Majors Brook Drive, Saint John, NB	Strip Plaza	Jul-04	40,918	100%	Leasehold

Notes:

- For comparison the 2004 revenues and expenses for Lansdowne Place, Les Promenades St. Francois and Staples Plaza have been adjusted in respect to the sale of 50% of these assets in March 2004.

PROPERTY OPERATING INCOME

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the year ended October 31, 2005 and for the year ended October 31, 2004 where such assets had no significant new development or construction occurring during these periods.

(000's)			Change	
	2005	2004	\$	%
For the Years Ended October 31,				
Revenue				
Same asset rental revenue	\$ 20,627	\$ 19,856	\$ 771	4
Excluded assets rental revenue	7,472	4,111	3,361	82
Total rental revenue	28,099	23,967	4,132	17
Expenses				
Same asset operating expenses	5,192	4,931	261	5
Same asset realty taxes	3,500	3,387	113	3
Excluded assets operating expenses	2,046	923	1,122	122
Excluded assets realty taxes	1,230	745	485	65
Total expenses	11,968	9,986	1,981	20
Same asset property operating income	\$ 11,935	\$ 11,539	\$ 396	3
Excluded asset property operating income	\$ 4,196	\$ 2,442	\$ 1,754	72
Total property operating income	\$ 16,131	\$ 13,981	\$ 2,150	15

PLAZACORP RETAIL PROPERTIES LTD.

(000's)			Change	
	2005	2004	\$	%
For the Three Months Ended October 31,				
<u>Revenue</u>				
Same asset rental revenue	\$ 5,322	\$ 5,036	\$ 286	6
Excluded assets rental revenue	2,681	1,318	1,363	103
Total rental revenue	8,003	6,354	1,649	26
<u>Expenses</u>				
Same asset operating expenses	1,432	1,293	139	11
Same asset realty taxes	799	828	(29)	(4)
Excluded assets operating expenses	781	(66)	847	(1,283)
Excluded assets realty taxes	390	357	33	9
Total expenses	3,402	2,412	990	41
Same asset property operating income	\$ 3,091	\$ 2,915	\$ 176	6
Excluded asset property operating income	\$ 1,510	\$ 1,027	\$ 483	5
Total property operating income	\$ 4,601	\$ 3,942	\$ 659	17

NOTES TO CONSOLIDATED QUARTERLY INFORMATION SUMMARY FOR THE YEAR AND THREE MONTHS ENDED OCTOBER 31, 2005 AND 2004

Same asset rental revenue is up \$771 thousand to \$20.6 million for the year ended October 31, 2005 in comparison to the same period last year. This increase is due primarily to an increase in common area maintenance recoveries. Rental step-ups are no longer a factor in revenue growth as straight-line rent GAAP changes introduced in 2004 now equalizes rental income over the life of a given lease. There were no significant operational variances within the same asset pool.

For the same asset class, realty tax expense increased 3% to \$3.5 million for the year ended October 31, 2005 from \$3.4 million for the same period last year largely due to revised assessments on completed developments. Virtually all tax increases are recoverable from tenants through net leases.

Total property operating expenses increased 20% to \$11.9 million for the year ended October 31, 2005 compared to \$10.0 million for the same period last year due primarily to asset growth. For the same asset class, property operating expenses increased to \$5.2 million compared to \$4.9 million for the same period last year, as a result of several minor factors including general inflation. Growth in operating costs for the same asset category will be moderated by the reduction in management fees for fiscal year 2006 from 5% to 4% effective November 1, 2005.

Net property operating income for same assets increased by \$396 thousand or 3% for the year ended October 31, 2005 compared to the same period last year, which is consistent with expectations.

For the three months ended October 31, 2005 same asset net operating income was \$3.1 million compared to \$2.9 million for the same period in 2004 representing a 6% increase.

Rental revenues for the three months ended October 31, 2005 has increased from \$6.4 million to \$8.0 million representing a 26% increase over the same period last year, largely as the result of asset growth. Year-to-date rental revenue has increased 17% from \$24.0 million to \$28.1 million as the result of asset growth.

Significant portions of the Company's leases 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 the fiscal year end where the cost increase exceeds overall inflation. Most tenants in strip plazas provide their own electric power and utilities and these costs do not significantly impact on CPI or other cost recovery formulas.

INVESTMENT INCOME

Investment income for the year ended October 31, 2005 has decreased to \$617 thousand from \$1.3 million for the year ended October 31, 2004. This partially relates to the repayment of mortgage bonds by Plaza LPC Commercial Trust and the consolidation of the results of Plaza LPC as at September 1, 2005. Income from non-consolidated trusts and partnerships is below expectations due to the vacancy of a 30,000 SF anchor tenant at Centennial Plaza and the time lag in releasing the space which occurred during 2005.

PLAZACORP RETAIL PROPERTIES LTD.

ADMINISTRATIVE EXPENSES

Administrative expenses were \$906 thousand for the year ended October 31, 2005 and were up \$175 thousand compared to \$731 thousand for the comparable period in 2004. This increase is attributed to increases in audit, accounting, and legal costs partly due to changes in disclosure requirements, and increased staffing costs. Given reporting requirements applicable to public entities such as Plazacorp, it is reasonable to conclude that general and administrative costs will escalate by rates exceeding general inflation.

AMORTIZATION

During the year ended October 31, 2005 amortization expense has increased \$509 thousand year to date compared to 2004 and decreased \$50 thousand for the same period in 2004.

(000's)						
For the Periods Ended October 31,	Q4 2005	Q4 2004	Change	YTD 2005	YTD 2004	Change
Same-asset amortization	\$ 893	\$ 1,386	(36)%	\$ 4,025	\$ 4,270	(6)%
Acquisitions and exclusions	1,063	520	104%	2,490	1,736	43%
Total amortization	\$ 1,956	\$ 1,906	3%	\$ 6,515	\$ 6,006	8%

Amortization will continue at high levels for the foreseeable future until significant tenant lease expirations occur and the resulting tenant acquisition costs are fully amortized yearly. Increases in amortization are consistent with management expectation based on asset growth.

CAPITAL TAXES

The Company records capital taxes at the statutory rates on the net equity base of the Company after exemptions. For the quarter ended October 31, 2005 the Company and its subsidiaries recorded \$157 thousand in capital taxes compared to \$152 thousand in 2004. For the year ended October 31, 2005 the Company incurred \$534 thousand in capital taxes compared to \$428 thousand in 2004. Capital taxes are a point-in-time calculation based on period-end balances. 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 and New Brunswick governments have announced the phase out of capital taxes and the Company expects a moderation in the growth of these taxes and a possible decline by 2008, depending on the location of asset growth.

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. The Company made a favourable estimate of income taxes in the quarter compared to prior periods. Income taxes were:

(000's)	2005		2004	
	Three Months	Twelve Months	Three Months	Twelve Months
For the Periods Ended October 31,				
Current income taxes	\$ (87)	\$ 21	\$ 64	\$ 177
Future income taxes	89	162	5	(97)
Total	\$ 2	\$ 183	\$ 69	\$ 80

As a mutual fund corporation, the Company does not provide for current taxes on realized capital gains. See Note 14 to the consolidated financial statements for a complete explanation of taxation balances and yearly expense.

PLAZACORP RETAIL PROPERTIES LTD.

SUMMARY OF ANNUAL INFORMATION

Plazacorp's Summary of Selected Annual Information for the prior three completed fiscal years is presented below:

(\$000's except per share amounts)		2005	2004	2003
Total revenue		\$ 28,716	\$ 25,253	\$ 20,799
Net (loss) income		(224)	2,437	732
Dividends paid in cash		3,310	2,737	2,388
Dividends per share		0.11	0.09	0.08
Basic weighted average shares outstanding		35,212	31,702	29,928
Assets		172,449	138,161	114,995
Mortgages payable		109,645	82,651	74,036
Bonds and debentures payable		29,259	22,350	13,420
Notes payable		2,566	2,053	3,541
Bank indebtedness		-	69	405
(Loss) earnings per share	Basic	(0.006)	0.077	0.024
	Diluted	(0.006)	0.075	0.023
FFO per share	Basic	0.165	0.157	0.130
	Diluted	0.159	0.147	0.122

Certain comparative figures have been reclassified to conform to the presentation for the current year to include adoption of the REALPAC (CIPPREC) white paper on FFO of November 2004.

The real estate assets of the Company have grown from 27 properties at November 1, 2003 to 55 properties at October 31, 2005. The summary of yearly results is influenced by significant acquisition development and re-development activity over the last three years.

The yearly information highlights the increasing total assets over the three years and the corresponding increases in assets and revenues and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

PART III

SUMMARY OF QUARTERLY INFORMATION

November 1, 2004 to October 31, 2005

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

	Q4'05	Q3'05	Q2'05	Q1'05	Q4'04	Q3'04	Q2'04	Q1'04
Total revenue	\$ 8,091	\$ 6,969	\$ 6,874	\$ 6,782	\$ 6,830	\$ 6,172	\$ 6,211	\$ 6,041
Net (loss) income for the period	(44)	(69)	(88)	(23)	(25)	(44)	2,491	14
Basic earnings per share	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	0.079	0.000
Diluted earnings per share	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	0.067	0.003
Dividends paid including dividend reinvestment plan	938	932	919	726	715	711	710	601
Dividends per share	0.259	0.0263	0.0263	0.0225	0.0225	0.0225	0.0225	0.0200
Weighted average shares outstanding	36,255	35,659	35,350	33,588	31,965	31,786	31,581	31,458
Total assets	172,449	158,395	150,407	139,058	138,161	138,115	133,217	122,681
Mortgages payable	109,645	96,345	90,251	88,343	82,651	84,293	83,315	78,787
Bonds and debentures payable	29,259	28,434	26,667	19,620	22,350	22,650	18,245	18,228
Notes payable	2,566	2,001	1,930	1,810	2,053	1,935	1,957	2,033
Bank indebtedness	-	-	-	13	69	223	-	-
FFO per share	Basic	0.050	0.040	0.035	0.046	0.040	0.036	0.036
	Diluted	0.046	0.038	0.034	0.041	0.038	0.034	0.034

PLAZACORP RETAIL PROPERTIES LTD.

SUMMARY OF QUARTERLY RESULTS TABLE

Commercial real estate operations are generally not materially influenced by seasonal variations, except where leases have fixed cost recovery formulas preventing full offsetting of common costs by recovery revenue in a given period, but are impacted by economic events and cycles (local, national and international), which influences the demand for space. Factors such as consumer spending, or employment growth, are examples of events which will impact commercial real estate.

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 development and acquisition activity.

The quarterly information highlights the increasing total assets and gross revenues over the eight quarters and is reflective of the timing of acquisition, development, redevelopment, and expenditures. Similarly, mortgage and bank debt reflects financing activities relating to both asset additions and ongoing financing activities for the existing portfolio.

FOURTH QUARTER RESULTS

Consolidated Statement of Income

(000's) For the Three Months Ended October 31,	2005 (unaudited)	2004 (unaudited)
Rental revenue	\$ 8,003	\$ 6,355
Operating expenses	3,403	2,411
Net property operating income	4,600	3,944
Investment income	87	475
Income from property and investments	4,687	4,419
Financing costs	2,433	2,249
Income before undernoted	2,254	2,170
Administrative expenses	182	261
Amortization and depreciation	1,956	1,906
Capital taxes	157	152
Income (loss) before undernoted	(41)	(149)
Gain on disposal of income producing properties	-	398
Income before income taxes and non-controlling interest	(41)	249
Income tax expense – current	(87)	64
– future	89	6
	2	70
Income before non-controlling interest	(43)	179
Non-controlling interest	1	204
Net (loss) income for the period	\$ (44)	\$ (25)
Basic earnings per share	\$ (0.001)	\$ (0.001)
Weighted average number of shares outstanding	36,255	31,965
Diluted earnings per share	\$ (0.001)	\$ (0.001)
Diluted weighted average number of shares outstanding	36,658	32,026

See accompanying notes to the consolidated financial statements

PLAZACORP RETAIL PROPERTIES LTD.

Consolidated Statement of Cash Flow

(000's)

For the Three months Ended October 31,

	2005 (unaudited)	2004 (unaudited)
Cash obtained from (used for):		
Operating activities		
Net income	\$ (44)	\$ (25)
Items not affecting cash		
Amortization and depreciation	2,089	1,902
Gain on disposal	-	(398)
Stock option compensation	8	-
Interest relating to debenture accretion	27	40
Non-controlling interest	2	204
Future income taxes	89	6
	<u>2,171</u>	<u>1,729</u>
Tenant acquisition costs	(1,782)	(7,746)
Change in non-cash working capital	(2,759)	1,266
	<u>(2,370)</u>	<u>(4,751)</u>
Financing activities		
Bank indebtedness	-	(154)
Notes payable funded	-	-
Notes payable repaid	565	118
Issue of common shares except for option agreements	-	(1,029)
Issue of common shares pursuant to option agreements	13	78
Dividends paid to non-controlling interests	(433)	22
Dividends paid to shareholders	(885)	(693)
Redemption of bonds and debentures	909	(1,775)
Proceeds from mortgage financing	11,459	19,449
Mortgage repayments at maturity	-	(6,841)
Mortgage principal repayments	(491)	(421)
	<u>11,137</u>	<u>8,754</u>
Investing activities		
Acquisition, development and redevelopment	(9,044)	3,586
Net proceeds from disposition of property	200	(8,917)
Increase in monies held in trust	(594)	(450)
Increase in deferred charges	(213)	(907)
Advances to non consolidated partnerships and trust	(38)	-
	<u>(9,689)</u>	<u>(6,688)</u>
Net decrease in cash and cash equivalents	(922)	(2,685)
Cash and cash equivalents, beginning of the period	<u>1,911</u>	<u>3,864</u>
Cash and cash equivalents, end of the period	\$ 989	\$ 1,179

See accompanying notes to the consolidated financial statements

PLAZACORP RETAIL PROPERTIES LTD.

PART IV

LIQUIDITY AND CAPITAL RESOURCES

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

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, 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 amortization from FFO. Accordingly, Plazacorp attempts to reduce the overall debt level on existing properties year-over-year in order to strengthen the balance sheet and enhance the underlying value of existing shares, rather than incur new debt or raise equity in the form of share capital to cover recurring monthly mortgage principal payments. The Company has a 2006 annual dividend policy of 12.5¢ per share. The Company maintains cash flows from properties after debt repayment to ensure sufficient funds are available to pay these anticipated dividends.

WORKING CAPITAL

Rents form a recurring monthly source of funds which exceeds the operating and debt service costs for the assets. Liquidity is a concern only as it relates to funding of investments and acquisitions.

AVAILABILITY OF BANK AND MORTGAGE FINANCING

The Company has a acquisition and development facility with a Canadian Chartered bank for \$20.0 million to fund acquisition development projects with a limit of \$7.5 million per asset funded. The interest rate on funds drawn is prime + ½%. 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. This line of credit matures April 23, 2007.

At October 2005, the Company had drawn \$15 million under the facility. The remaining facility may be drawn subject to standard lending terms. Subsequent to October 31, 2005 and up to February 21, 2006, the Company had repaid \$10.6 million of funds through 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 October 31, 2005, this line had been fully repaid. This operating line of credit is secured by mortgage charges on Plaza Hotel de Ville and Plaza Theriault, Riviere du Loup, Quebec and the Staples Building, Saint John, New Brunswick. This line of credit matures on November 30, 2007.

The Company also has a \$0.5 million letter of credit facility with a Canadian Chartered bank of which \$0.45 million has been drawn. This line is secured by Personal Property Security Act (PPSA) charges in three provinces and matures on September 30, 2006. A Plazacorp subsidiary has an unsecured bank facility in the amount of \$150 thousand on which no funds were drawn as at October 31, 2005.

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. As of October 31, 2005, these ratios have been maintained and management is confident the ratios will be maintained for the foreseeable future.

The current market for obtaining mortgage financing for the Company's properties is favourable with many sources of real estate debt financing available. As at February 21, 2006, the Company has not yet negotiated refinancing on three assets maturing on October 1, 2006 totaling \$3.5 million. Management is confident that all short-term financing and long-term mortgage maturing in 2006 will be renewed or converted to long-term debt at maturity on favourable terms.

PLAZACORP RETAIL PROPERTIES LTD.

EQUITY AND DEBT ACTIVITIES

During 2005 the Company issued \$10.0 million in 8.5% mortgage bonds due between March 31, and July 31, 2010. These bonds may be used to fund the Company's acquisitions and development activities up to 90% of cost. When deployed the funds are secured by first or second mortgage charges on Company assets. The Company redeemed \$2.525 million of the Series I 12% mortgage bonds during the year.

During 2005 the Company issued \$3.8 million of 8% subordinate debentures maturing from July to December 2010. Between November 1, 2005 and February 23, 2006 the Company issued an additional \$1.33 million of the debentures and plans no further issuances.

During the year \$2,330,000 of Series I convertible debentures, \$1,980,000 of the Series II convertible debentures, and \$350,000 of Series III convertible debentures were converted to share capital and 4,198,500 shares were issued.

MORTGAGE BOND USAGE

Mortgage bond funds were deployed to fund Company properties as at October 31, 2005 as detailed in Note 10 to the October 31, 2005 consolidated financial statements.

DEBT REPAYMENT

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.

All long-term debt maturing during 2005 was replaced by long-term mortgages on terms deemed favourable by the Company.

The Company's use of floating rate debt has been limited to assets under development or redevelopment. The Company fixes debt rates and repayment terms as soon as it is practical based on capital market conditions. Fixed rate debt represents 93.2% of total mortgage debt.

➤ **KEY PERFORMANCE INDICATORS**

At October 31, 2005 and 2004, the Company's weighted average cost of debt was as follows:

	October 31, 2005	October 31, 2004	Change
Permanent fixed long-term mortgage debt	6.87%	7.61%	(.74)
Permanent variable long-term mortgage debt	5.00%	4.87%	0.13
Other fixed rate debt	9.57%	5.89%	3.68
Bank operating facilities	Prime + ¾%	Prime + ¾%	n/a
Bank development facility	Prime + 5/8%	Prime + ¾%	n/a

(1) *Long-term mortgage debt includes loans with fixed principal repayments and excludes interest only debt, interim variable rate debt, mezzanine debt and vendor take back loans without periodic principle repayments.*

(2) *As at October 31, 2005 the Company had drawn no funds on bank operating facilities.*

(3) *Other fixed rate debt includes second mortgage debt and vendor take back loans without periodic principal repayments.*

The weighted average term to maturity for the long-term mortgages increased to 6.9 years from 5.7 years in October 2004, as a result of new long-term debt placed on developments and existing properties that were in position to finance. The average remaining amortization or repayment period on long-term mortgage debt is 19.75 years.

From November 1, 2005 to February 21, 2006 the Company funded \$17.9 million of mortgage debt with an average rate of 5.18% term of 10 years and average amortization of 29 years. This funding will contribute to further improvement in the weighted average interest cost of mortgage debt term to maturity and remaining amortization of mortgages outstanding during 2006.

PLAZACORP RETAIL PROPERTIES LTD.

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% - 75% 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.

COMMITMENTS

Plazacorp's current commitments for the development of expansion lands, costs to complete development projects, and redevelopment projects initiated and scheduled for future periods is \$4.97 million (2004 - \$22.7 million). Management believes that Plazacorp has sufficient unused bank line availability, mortgage bond availability, and recently acquired unencumbered assets that may be pledged as security to fund these future commitments.

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

(000's)	Total	Payments Due by Period					
		Year 2006	2-3 years, 2007 to 2008	4-5 years, 2009 to 2010	After 5 years		
Contractual obligations							
Mortgages	\$ 109,645	\$ 20,616	\$ 5,533	\$ 22,023	\$ 61,453		
Mortgage bonds and debentures	29,648	-	6,165	23,483	-		
Operating land leases	32,452	1,400	2,817	2,924	25,311		
Development activities	4,971	4,971	-	-	-		
Other obligations	450	450	-	-	-		
Total contractual obligations	\$ 177,166	\$ 27,437	\$ 14,515	\$ 48,430	\$ 86,784		

(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 \$8.3 million as at October 31, 2005. See note 19c of the October 31, 2005 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 \$834 thousand. See note 19c of the October 31, 2005 consolidated financial statements.

PART V

CHANGES TO ACCOUNTING POLICIES

VARIABLE INTEREST ENTITIES

On November 1, 2004 as required by CICA Handbook section 3055 and AcG-15 (Variable Interest Entities) and effective for reporting periods thereafter, the Company evaluated all joint-venture relationships and partial ownership interests to determine if current methods of consolidation, equity accounting, joint-venture accounting or cost accounting are consistent with the new variable interest entity guidelines. The Company 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 October 31, 2005 compared to October 31, 2004.

PLAZACORP RETAIL PROPERTIES LTD.

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 yearly 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.

PROPERTY ACQUISITIONS

For acquisitions subsequent to September 12, 2003, in accordance with CICA Handbook sections 1581 and 3062, 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 2005. This estimate is critical insofar as it may impact the corresponding amortization period of the related assets.

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 impairment loss is recognized. No impairment has been recognized in the period ended October 31, 2005 (October 31, 2004 –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.

PLAZACORP RETAIL PROPERTIES LTD.

PART VI

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 October 31, 2005 Plazacorp held interest in 58 properties spread geographically among four provinces in Canada.

INTEREST RATE AND FINANCING RISK

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 tightened over the last twelve months. The favourable availability has been offset by fluctuations in bond rates over the year. 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. Management's strategy attempts to mitigate Plazacorp's exposure to excessive amounts of debt maturing in any one year. Re-financing debt at maturity with conventional financing is generally limited to 65-75% of appraised value. Management is of the view that such level of indebtedness is achievable given the lending parameters currently existing in the real estate market place and is confident all debts will be financed or refinanced as they come due for the foreseeable future.

Management attempts to stagger the maturities of Plazacorp's long-term mortgage portfolio consistent with related tenant lease expiries with the view of locking in returns on developed assets for as long a period as market conditions will permit. Management is of the view that such a strategy results in the most conservative interest rate risk management practice.

As outlined under "Liquidity and Capital Resources", Plazacorp has an ongoing requirement to access the debt markets to refinance maturing debt as it comes due. There is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to Plazacorp, or on any terms at all.

The Company may choose to invest in mortgages to affiliates from time to time and would be subject to normal credit and interest rate risks from those investments.

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 limiting Plazacorp's exposure to any one tenant. Plazacorp also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently, no one tenant represents more than 10.5% of contracted revenue in place. The top 10 tenants collectively represent approximately 37.2% of total revenues.

Plazacorp's ten largest tenants based upon yearly contractual gross revenue in place for the following year are as follows:

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	10.5%	6. Loblaws	2.4%
2. Dollarama	5.1%	7. Michaels	2.3%
3. Staples	4.5%	8. Reitmans	2.3%
4. Marks Work Wearhouse	4.2%	9. Canadian Tire	2.0%
5. Bulk Barn	2.4%	10. Empire Theatres	1.7%

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.

as at October 31,	2005	2004
National	81.6%	80.2%
Regional	6.7%	6.0%
Local & Non Retail	11.7%	13.8%

PLAZACORP RETAIL PROPERTIES LTD.

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.

Management completed in 2005, 313 thousand square feet (2004 - 321) of new leasing deals at market rates thus increasing our occupied or committed space by 228 thousand square feet net of all expires, renewals and vacated space.

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.

The following tables represent lease expires, by square footage, for Plazacorp's portfolio as at October 31, 2005:

2006 LEASE EXPIRIES BY ASSET CLASS & REGION

LEASE ROLL-OVER BY ASSET CLASS

Year	Strip Plazas		Enclosed Malls		Single-User		Total	
	SF	%	SF	%	SF	%	SF	%
2006	258,462	13.1%	132,056	19.2%	-	-	390,518	14.1%
2007	146,454	7.4%	111,053	16.1%	-	-	257,507	9.3%
2008	139,344	7.1%	85,261	12.4%	-	-	224,605	8.1%
2009	133,629	6.8%	131,298	19.0%	-	-	264,918	9.5%
2010	239,686	12.1%	76,710	11.1%	-	-	316,396	11.4%
Thereafter	970,946	49.1%	118,011	17.1%	113,175	100.0%	1,202,132	43.3%
Vacant	87,401	4.4%	34,895	5.1%	-	-	122,296	4.4%
Total exclusive of non-consolidated trusts and partnerships	1,975,922	100.0%	689,275	100%	113,175	100.0%	2,778,372	100.0%
Weighted average remaining lease term	7.40	years	3.75	years	8.31	years		

On average, Plazacorp's embedded or contractual gross rents expiring in 2006 would be at or below current market rates. Plazacorp's financial exposure to vacancies and lease roll-overs differs among the three asset types, since 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 of a change in occupancy of 1% to net property operating income would be approximately \$292 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**

Year end occupancy in the strip plazas was 97.4% for the year ended October 31, 2005 compared to 95.4% for the same period last year.

Average occupancy in the enclosed malls was 94.9% as at October 31, 2005 compared to 96.1% for the same period last year. Occupancy for single user assets remained stable at 100%. The pre-leased space in properties under development is 84.8%.

PLAZACORP RETAIL PROPERTIES LTD.

Overall the portfolio, excluding non-consolidated trusts and partnerships and properties under development is 96.8% leased compared to 95.8% on October 2004. These occupancy rates are within management's expectations in view of continuing development in the portfolio.

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. 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 VII

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 February 21, 2006	Shares	Share Capital
Current Outstanding Shares	39,355,549	\$ 26,232,960
Employee and Director Share Options	1,623,334	2,771,784
Series I Convertible Debentures	600,000	600,000
Series II Convertible Debentures	866,670	1,040,000
Series III Convertible Debentures	5,106,875	8,171,000
Total adjusted shares outstanding	47,552,428	\$ 38,815,744

The Company has the absolute right to redeem the Series I, Series II and Series III 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. The rights arising between May 1, 2006 and April 30, 2007 for Series I, between November 1, 2006 and October 31, 2007 for Series II and between April 30, 2007 and April 30, 2008 for Series III are restricted unless market trading prices for the Company's shares exceed 115% of conversion price. The decision to redeem in shares is not certain and will be based on capital market conditions at that time.

During the year ended October 31, 2005, \$2,330,000 of Series I convertible debentures were converted to shares and 2,330,000 shares were issued, \$1,980,000 of Series II convertible debentures were converted to share and 1,650,000 shares were issued; and, \$350,000 of Series III convertible debentures were converted to shares and 218,750 shares were issued. The impact of this issuance of these shares is included in the above details and in total shares outstanding in note 15 to the October 31, 2005 financial statements.

PLAZACORP RETAIL PROPERTIES LTD.

Between October 31, 2005 and February 21, 2006 \$33,166 of employee share options were exercised and 22,666 shares were issued. \$220,000 of Series I convertible debentures were converted to shares and 220,000 shares were issued. \$1,780,000 of Series II convertible debentures were converted to shares and 1,483,330 shares were issued, and \$1,479,000 Series III convertible debentures were converted to shares and 924,375 shares were issued.

Plazacorp has agreements with individual unitholders as investor liquidity measures of Northwest Centre Commercial Trust (until April 30, 2006) whereby unitholders have the right to put units of the trusts, at the lower of cost and fair market value for the units, to Plazacorp in exchange for shares in Plazacorp. The Company believes there is minimal risk associated with this arrangement. To date, no unitholder has exercised this right. Plazacorp also has the right, but not the obligation, to acquire a majority interest in Northwest Centre Commercial Trust through a call agreement after April 2006. An assessment of market conditions and compliance with securities regulations would be required prior to making an offer to unitholders pursuant to the call agreement.

RELATED PARTY TRANSACTIONS

MANAGEMENT COMPANY

Plaza Atlantic Limited manages the Company's property 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 76 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 Plazacorp, Michael Zakuta is President 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 its operational areas which allows Plazacorp access to significant professional management services at reasonable cost. Both Plaza Atlantic and Plaza Z-Corp manage properties for third parties.

Mr. Brewer receives no direct compensation from the Company for performing his duties as officer and director and Mr. Zakuta was paid an annual salary of \$100,000 per year effective from his appointment as President on April 20, 2005. This salary was stopped effective November 1, 2005 by agreement with the Board of Directors.

The fees payable under the management contract are as follows:

Property management	5% of gross revenue paid (4% effective November 1, 2005)
Acquisitions	2% of the purchase price of assets
Dispositions	1 ½% of the proceeds of disposition on assets
Leasing Fees	4% of Rental Revenue per year for first five years of term. 2% of rental revenue per year for years six to ten of a lease term. Leasing fees for renewals are at 50% of above rates
Development Fees	4% of costs of construction on development projects
Construction Management Fees	10% of tenant improvement costs on non-development projects
Financing Fees	¾% of debt placed where no outside broker is involved ¼% of debt placed where an outside broker is involved
Legal Services	Cost recovery, currently \$130 per hour

PLAZACORP RETAIL PROPERTIES LTD.

During the year ended October 31, 2005 and 2004 the following amounts were billed under the contract:

(000's)		
For the years ended October 31,	2005	2004
Management fees	\$ 1,260	\$ 1,059
Leasing fees	1,260	696
Development fees	980	498
Financing fees	141	46
Acquisition fees	88	418
Disposition fees	-	242
Legal services	251	109
Total	\$ 3,980	\$ 3,068

BONDS AND DEBENTURES HELD

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

(000's)		
Related Party	October 31,	2004
	2005	2004
Richard Hamm, Director	\$ 775	\$ 865
Michael Zakuta, Director	1,749	1,899
Edouard Babineau, Director	700	600
Willard L'Heureux, Director	650	450
Earl Brewer, Director	820	520
Stephen Johnson, Director	1,125	555
Barbara Trenholm, Director	100	-
Paul Leger, Former Director	-	125
Total	\$ 5,919	\$ 5,014

NOTES PAYABLE TO RELATED PARTIES

Notes payable as at October 31, 2005 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)	Interest Rate	October 31,	2004
		2005	2004
Interest bearing notes:			
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, a director of the Company	Prime +1%	\$ 917	\$ 939
Non-Interest bearing notes:			
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, director of the Company	n/a	425	482
Total		\$ 1,342	\$ 1,421

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.

PLAZACORP RETAIL PROPERTIES LTD.

DISCLOSURE CONTROLS

The Company's board of directors has adopted a disclosure policy with the following broad objectives to ensure information releases on all material information, events and continuous disclosure documents are:

- timely, factual and accurate;
- broadly disseminated in accordance with all applicable legal and regulatory requirements; and
- in compliance with National Instrument 51-102 – Continuous Disclosure Obligations.

To achieve these objectives, the Company established a disclosure committee with seven members, including senior officers and representation from operations, leasing and accounting personnel. The composition of the committee was designed to ensure, given the size of the Company and the management team, that at least one member of the committee would have a comprehensive knowledge of any potentially material information, circumstances or transactions. The committee meets regularly and as required by the timing of material news and events.

The disclosure guidelines contain materiality tests to be applied by the committee in determining the disclosure of routine and non-routine transactions and events. These guidelines are reviewed periodically to ensure that they are appropriate to the size of the Company's assets and transaction volume.

The guidelines call for the review of all statutory continuous disclosure documents and press releases by disclosure committee members, in-house counsel and external counsel (where appropriate).

Management has concluded, given the size of the management team and the scope of its operations, that the disclosure policies, and the related control procedures, have been effective during the period covered by this MD&A in meeting the stated objectives.

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 18 of the October 31, 2005 consolidated financial statements details the Company's joint venture arrangements. Subsequent to October 31, 2004 and up to October 31, 2005. Changes to the joint ventures included in note 18 relate to the addition of Gateway Mall, Plaza LPC and Les Galleries Montmagny as noted in 1(a) of the supplemental information to the consolidated statement of cash flows of the October 31, 2005 consolidated financial statements.

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 shareholders' meeting is on April 12, 2006 at 10:00 AM (AST) at the Lord Beaverbrook Hotel located in Fredericton, New Brunswick.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Plazacorp Retail Properties Ltd.

The accompanying 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 safeguard 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 financial statements and provide an independent professional opinion thereon.



Michael Zakuta
President and CEO
February 21, 2006



Peter Sheehan
Chief Financial Officer
February 21, 2006

Plazacorp Retail Properties Ltd.

Consolidated Balance Sheets

As at October 31,

2005

2004

(000's)

Assets

Income producing properties (Note 3)	\$ 153,826	\$ 118,577
Mortgage receivable (Note 4)	-	5,050
Cash and cash equivalents	989	1,179
Accounts receivable	2,304	1,941
Prepaid expenses and deposits	3,984	3,095
Deferred charges (Note 5)	2,475	2,374
Intangible assets (Note 6)	3,909	2,162
Refundable capital gains tax (Note 14)	108	132
Investment in limited partnerships and trusts (Note 7)	1,905	1,350
Goodwill	2,025	2,025
Deficits of subsidiaries (Note 8)	924	276
	\$ 172,449	\$ 138,161

Liabilities

Mortgages payable (Note 9)	\$ 109,645	\$ 82,651
Mortgage bonds payable (Note 10)	12,525	5,050
Debentures payable (Note 11)	16,734	17,300
Notes payable (Note 12)	2,566	2,053
Bank indebtedness (Note 13)	-	69
Accounts payable and accrued liabilities	3,569	5,371
Dividends payable	963	726
Income taxes payable (Note 14)	196	410
Future income tax liability (Note 14)	6,438	5,147
Below market leases (Note 6)	950	851
	153,586	119,628

Non-controlling interest in net assets (Note 8)

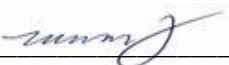
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Shareholders' Equity

Equity portion of convertible debt (Note 11)	586	778
Share capital (Note 15)	22,679	17,685
Contributed surplus (Note 16)	27	17
Deficit	(4,434)	(458)
	18,858	18,022
	\$ 172,449	\$ 138,161

Contingencies, commitments, guarantees, and indemnities – see consolidated financial statement note 19

Subsequent events – see consolidated financial statement note 23


Michael Zakuta, Director


Earl Brewer, Director

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of Deficit For the Years Ended October 31, (000's)

	2005	2004
Deficit, beginning of the year	\$ (458)	\$ (32)
Net (loss) income	(224)	2,437
Dividends	<u>(3,752)</u>	<u>(2,863)</u>
Deficit, end of the year	<u>\$ (4,434)</u>	<u>\$ (458)</u>

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.

Consolidated Statements of (Loss) Income For the Years Ended October 31, (000's) – Except Per Share Amounts

	2005	2004
Rental revenue	\$ 28,099	\$ 23,967
Operating expenses	<u>11,968</u>	<u>9,986</u>
Net property operating income	16,131	13,981
Investment income	<u>617</u>	<u>1,286</u>
Income from properties and investments	16,748	15,267
Financing costs	<u>8,640</u>	<u>8,174</u>
Income before undernoted	8,108	7,093
Administrative expenses	<u>906</u>	<u>731</u>
Amortization	<u>6,515</u>	<u>6,006</u>
Capital taxes	<u>534</u>	<u>428</u>
Income (loss) before undernoted	153	(72)
Gain on disposal of income producing properties	<u>-</u>	<u>2,941</u>
Income before income taxes and non-controlling interests	153	2,869
Income tax expense (recovery) (Note 14) – current	<u>21</u>	<u>177</u>
– future	<u>162</u>	<u>(97)</u>
	<u>183</u>	<u>80</u>
(Loss) income before non-controlling interests	(30)	2,789
Non-controlling interests	<u>194</u>	<u>352</u>
Net (loss) income	\$ (224)	\$ 2,437
Basic (loss) earnings per share (Note 15)	\$ (0.006)	\$ 0.077
Diluted (loss) earnings per share (Note 15)	\$ (0.006)	\$ 0.075

See accompanying notes to the consolidated financial statements

Plazacorp Retail Properties Ltd.**Consolidated Statements of Cash Flows
For the Years Ended October 31,
(000's)****2005** **2004****Cash obtain from (used for):****Operating activities**

Net (loss) income	\$ (224)	\$ 2,437
Items not affecting cash:		
Amortization (see cash flow supplemental)	6,712	6,001
Gain on disposal	-	(2,941)
Stock option compensation	20	17
Interest relating to debenture accretion	122	118
Non-controlling interests	194	352
Future income (recovery) taxes	162	(97)
	6,986	5,887
Tenant acquisition costs	(6,407)	(8,336)
Change in non-cash working capital (see cash flow supplemental)	(3,271)	1,366
	(2,692)	(1,083)

Financing activities

Increase (decrease) in bank indebtedness	(69)	(336)
Increase (decrease) in notes payable	586	(1,488)
Issue of common shares, except for employee option agreements	-	668
Issue of common shares, pursuant to employee option agreements	65	160
Dividends paid to non-controlling interests	(582)	(392)
Dividends paid to shareholders	(3,310)	(2,737)
Proceeds from bonds and debentures	10,394	15,000
Redemption of bonds and debentures	(25)	(5,550)
Proceeds from mortgage financing	34,335	36,194
Mortgage repayments at maturity	(8,948)	(12,139)
Mortgage principal repayments	(1,771)	(1,611)
	30,675	27,769

Investing activities

Acquisitions, developments and redevelopments	(32,006)	(33,127)
Net proceeds from disposal of property	200	6,985
Increase in investment in non-consolidated Partnerships and Trusts	(555)	-
Increase in monies held in trust	(253)	(450)
Decrease in mortgage receivable	5,050	-
Increase in deferred charges	(609)	(584)
	(28,173)	(27,176)

Net decrease in cash and cash equivalents

Cash and cash equivalents, beginning of the year	1,179	1,669
Cash and cash equivalents, end of the year	\$ 989	\$ 1,179

See accompanying notes to the consolidated financial statement

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Years Ended October 31, 2005 and 2004

1) Investing in Properties and Equipment

a) Cash & Non-Cash Additions

(000's)		2005	2004
As at October 31,			
Gross additions from property acquisitions, developments, and re-developments		\$ 46,754	\$ 46,923
Less: assumed mortgages		(6,215)	(4,042)
assumed future income tax liabilities		(1,542)	-
debentures issued on acquisition		(939)	-
assumed working capital surplus		8	-
minority interest adjustment		347	-
building, cost from issuance of shares		-	(1,418)
Cash additions to income producing properties and intangible assets/liabilities		38,413	41,463
Less: total tenant acquisition costs (operating activity)		(6,684)	(9,915)
Plus: tenant acquisitions costs assumed on acquisitions (operating activity)		277	1,579
Cash additions from property acquisitions, developments, re-developments		32,006	33,127
Less: additions from acquisitions and de-consolidations (see part b)		(2,534)	21,722
Cash additions from property developments, re-developments		\$ 29,472	\$ 11,405

b) Acquisitions and De-Consolidations

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 and ceased consolidation of Les Galleries Montmagny (1998) Inc. The following table summarizes the net assets acquired.

(000's)	Plaza LPC Commercial Trust	Fundy Retail Ltd.	Total Acquisitions	Les Galleries Montmagny (1988) Inc.	2005	2004
As at October 31,						
Real Estate Assets						
Land	\$ 1,717	\$ 471	\$ 2,188	\$ (340)	\$ 1,848	\$ 10,804
Building	5,805	764	6,569	(2,811)	3,758	11,196
Tenants acquisition costs	502	77	579	(302)	277	1,579
Net intangible assets	1,994	244	2,238	-	2,238	3,706
	10,018	1,556	11,574	(3,453)	8,121	27,285
Intangible liabilities	(349)	(3)	(352)	-	(352)	(1,521)
	9,669	1,553	11,222	(3,453)	7,769	25,764
Net Liabilities						
Net working capital deficiency	(23)	31	8	21	29	-
Future income tax liability	(1,291)	(251)	(1,542)	177	(1,365)	-
Assumed mortgage	(5,170)	(1,045)	(6,215)	-	(6,215)	4,042
Debentures issued	(939)	-	(939)	-	(939)	-
Minority interest	-	-	-	418	418	-
Mortgage de-consolidation	-	-	-	2,837	2,837	-
	(7,423)	(1,265)	(8,688)	3,453	(5,235)	4,042
Net assets acquired, funded from cash	\$ 2,246	\$ 288	\$ 2,534	\$ -	\$ 2,534	\$ 21,722

2) Mortgage Financing

(000's)		2005	2004
As at October 31,			
Gross mortgage proceeds		\$ 40,550	\$ 40,236
Less: assumed mortgages		(6,215)	(4,042)
Cash received from new mortgage financing		\$ 34,335	\$ 36,194

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Years Ended October 31, 2005 and 2004

3) Mortgage Repayments

(000's)		
As at October 31,	2005	2004
Gross mortgage repayments	\$ 13,556	\$ 13,750
Less: mortgages paid out	(8,948)	(12,139)
mortgage de-consolidation	(2,837)	-
Regular mortgage principal repayments	\$ 1,771	\$ 1,611

4) Dividends

(000's)		
As at October 31,	2005	2004
Dividends declared during the period	\$ 3,752	\$ 2,863
Adjustment for accrued dividends	(237)	(7)
Dividends paid	3,515	2,856
Dividend re-investment through share subscriptions	(205)	(119)
Dividends paid in cash	\$ 3,310	\$ 2,737

5) Proceeds from Bonds and Debentures

(000's)		
As at October 31,	2005	2004
Gross mortgage bonds issued	\$ 10,000	\$ -
Less: mortgage bonds exchanged	(2,500)	-
Net proceeds from mortgage bonds	7,500	-
Debentures issued	3,833	15,000
Less: debentures issued on acquisitions	(939)	-
Net proceeds from debentures	2,894	15,000
Net proceeds from bonds and debentures	\$ 10,394	\$ 15,000

6) Debentures Converted to Share Capital

(000's)			2005	2004
Series I debentures converted to share capital	Face value	\$	2,330	\$ 350
	Conversion rate		1.00	1.00
	Shares issued		2,330	350
Series II debentures converted to share capital	Face value	\$	1,980	\$ 200
	Conversion rate		1.20	1.20
	Shares issued		1,650	167
Series II debentures converted to share capital	Face value	\$	350	\$ -
	Conversion rate		1.60	1.60
	Shares issued		219	-
Total debentures converted to share capital		\$	4,660	\$ 550
Total shares issued			4,199	517

Plazacorp Retail Properties Ltd.
Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure
For the Years Ended October 31, 2005 and 2004

7) Amortizations

(000's)		
For the Years Ended October 31,		
	2005	2004
Amortization of income producing properties	\$ 2,633	\$ 2,230
Amortization of tenant acquisition costs	3,334	3,139
Amortization of intangible assets (except above/below market tenant leases)	448	474
Amortization of other deferred charges	100	163
Amortization expense per the Statement of (Loss) Income	6,515	6,006
Amortization of deferred financing charges (included with financing costs)	402	186
Amortization of above/below market tenant leases (included with revenue)	(211)	(191)
Amortization of deferred recoverable expenses (included with operating expenses)	6	-
Total amortizations charged to income	\$ 6,712	\$ 6,001

8) Interest

(000's)		
For the Years Ended October 31,		
	2005	2004
Cash interest paid	\$ 9,416	\$ 8,080

9) Income and Capital Taxes

(000's)		
For the Years Ended October 31,		
	2005	2004
Cash income and capital tax paid	\$ 924	\$ 495

10) Changes in Non-Cash Working Capital

(000's)		
For the Years Ended October 31,		
	2005	2004
Accounts receivable	\$ (364)	\$ (1,321)
Prepaid expenses	(635)	(462)
Accounts payable and accrued liabilities	(1,844)	3,045
Income taxes payable/receivable	(428)	104
Total cash from change in non-cash working capital	\$ (3,271)	\$ 1,366

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2005 and 2004

1. Nature of Operations

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

2. Basis of 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, 3050, 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.

As at October 31	Ownership Interest	
	2005	2004
<u>Accounting Method – Consolidation</u>		
Exhibition Plaza Inc. ⁽¹⁾	55%	55%
McAllister Drive Plaza Inc. ⁽¹⁾	55%	55%
SCA Plaza Inc. ⁽¹⁾	55%	55%
MDO Commercial Trust	100%	100%
Centre Commercial Plaza Theriault Inc.	100%	100%
Spring Park Plaza Inc.	85%	85%
Granville Street Properties Limited Partnership	60%	60%
Wildan Properties Limited Partnership	60%	60%
Tacoma Plaza Limited Partnership	100%	100%
Commercial Street Plaza Trust	100%	100%
Plazacorp Real Estate Investment Trust	100%	-
Plazacorp Retail Limited Partnership #1	100%	100%
Plazacorp Master Limited Partnership	100%	-
Plaza LPC Commercial Trust	100%	-

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2005 and 2004

As at October 31	Ownership Interest	
	2005	2004
<u>Accounting Method – Proportionate Consolidation</u>		
Les Galeries Montmagny, PQ ⁽²⁾	50%	50%
University, PE	43%	43%
Societe en Commandite RBEG Limited Partnership, PQ	50%	50%
Bureau en Gross, PQ	50%	50%
Terrance Dufferin, PQ	50%	50%
Carrefour des Seigneurs, PQ	25%	25%
Les Promenades St-Francois, PQ	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.	50%	-
<u>Accounting Method – Equity</u>		
Centennial Plaza Limited Partnership	10%	-
MDO Limited Partnership	20%	-
Trois Riviere Limited Partnership	15%	-
<u>Accounting Method – Cost</u>		
Northwest Plaza Commercial Trust	10%	10%
Plaza LPC Commercial Trust	-	10%
Centennial Plaza Limited Partnership	-	10%
MDO Limited Partnership	-	20%

(1) On November 1, 2005 SCA Plaza Inc. and McAllister Drive Plaza Inc. were amalgamated with Exhibition Plaza Inc.

(2) On October 29, 2005, Les Galeries Montmagny (1998) Inc. transferred a 50% interest in the shopping center's assets to each of the shareholders and is now proportionately consolidated.

b) Income producing properties

i) Developed properties

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 of an income producing property 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 year ended October 31, 2005 (October 31, 2004 – nil).

Effective for acquisitions after September 12, 2003, the Company adopted the recommendations of the CICA Emerging Issues Committee (EIC-140) regarding the allocation of the purchase price of property acquisitions. The Company now 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.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
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ii) Properties under development

Construction costs, carrying costs including interest and net operating loss incurred while a property is under development or significant redevelopment is capitalized until completion to the cost of the building. A property is considered completed the earlier of 90% occupancy or six months after substantial completion of construction.

c) *Revenue*

i) Rental revenue

Rental income includes rent earned from tenants under lease arrangements; including, base rent, percentage 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. Effective November 1, 2003, in accordance with CICA HB Section 1100, minimum rental income is recorded for the fixed term of each lease on a straight-line basis. Accordingly, a receivable is recorded from tenants for the current difference between the straight-line rent and the rent that is contractually due from the tenant.

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 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 including 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 rents are amortized over the remaining term of the respective leases to revenue. 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 debt financing are included in financing costs and are amortized over the term of the related loan. Other deferred charges are amortized over periods related to their useful life.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2005 and 2004

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 in income in the period that includes the date of enactment or substantive enactments.

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, accounts receivable, accounts payable and accrued liabilities, dividends payable, current income taxes 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, unsecured 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 October 31, 2005, the fair value of the Company's long-term debt exceeds the recorded value by \$5.6 million (fair value exceeded recorded value by \$3.66 million at October 31, 2004).

The fair value of the Company's mortgage receivable is equal to its carrying value due to imminent maturity of the instrument and subsequent repayment at the carrying value.

The Company's fair value of the exposure from mortgage guarantees is not readily determinable (Note 19c).

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 financial statement note 16. 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 based 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.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
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i) Investment in limited partnerships and trusts

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 earnings 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) Non-controlling interests

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 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 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 earnings. No impairment has been recognized in the year ended October 31, 2005 (October 31, 2004 -nil).

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
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3. Income Producing Properties

(000's)	October 31, 2005			October 31, 2004		
	Cost	Accumulated	Net Book	Cost	Accumulated	Net Book
		Amortization	Value		Amortization	Value
Land	\$ 24,155	\$ -	\$ 24,155	\$ 21,220	\$ -	\$ 21,220
Buildings	118,078	(10,865)	107,213	90,667	(11,288)	79,379
Tenant acquisition costs	29,610	(9,254)	20,356	25,028	(8,022)	17,006
Furnishings and equipment	636	(319)	317	582	(360)	222
Parking lot	2,660	(875)	1,785	1,500	(750)	750
Total	\$ 175,139	\$ (21,313)	\$ 153,826	\$ 138,997	\$ (20,420)	\$ 118,577

Included in income producing properties is \$13.3 million relating to properties under development (October 31, 2004 - \$11.27 million).

During the period the Company capitalized \$843 thousand of interest and \$112 thousand of operational losses from properties under development to the cost of land or buildings (for the year ended October 31, 2004 - \$102 thousand).

4. Mortgage Receivable

Mortgage receivable as at October 31, 2004 consists of a \$0.6 million first mortgage and a \$4.45 million second mortgage on Les Promenades du Cuivre, a property owned by Plaza LPC Commercial Trust. Both loans were repaid December 22, 2004.

5. Deferred Charges

Deferred charges consist of the following:

(000's)	October 31, 2005			October 31, 2004		
	Cost	Accumulated	Net Book	Cost	Accumulated	Net Book
		Amortization	Value		Amortization	Value
Deferred finance charges	\$ 3,170	\$ (1,124)	\$ 2,046	\$ 3,078	\$ (1,131)	\$ 1,947
Other deferred charges	672	(243)	429	484	(57)	427
Total deferred charges	\$ 3,842	\$ (1,367)	\$ 2,475	\$ 3,562	\$ (1,188)	\$ 2,374

Included with financing costs is \$402 thousand (2004 - \$186 thousand) of amortization expense relating to deferred finance charges. Included with amortization is \$100 thousand (2004 - \$163 thousand) of amortization expense relating to other deferred charges.

6. Intangible Assets and Below Market Leases

Intangible assets represent the un-amortized 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 acquired after September 12, 2003 as follows:

(000's)	October 31, 2005			October 31, 2004		
	Cost	Accumulated	Net Book	Cost	Accumulated	Net Book
		Amortization	Value		Amortization	Value
Above market leases	\$ 277	\$ (59)	\$ 218	\$ 84	\$ (17)	\$ 67
Value of in place leases	2,548	(662)	1,886	1,510	(429)	1,081
Tenant relationships	1,916	(111)	1,805	1,059	(45)	1,014
Total intangible assets	\$ 4,741	\$ (832)	\$ 3,909	\$ 2,653	\$ (491)	\$ 2,162

Plazacorp Retail Properties Ltd.
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Below market leases represent the un-amortized cost of acquired below-market tenant leases for income producing properties acquired after September 12, 2003 as follows:

(000's)	October 31, 2005			October 31, 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Below market leases	\$ 1,380	\$ (430)	\$ 950	\$ 1,059	\$ (208)	\$ 851

7. Investment in Limited Partnerships and Trusts

The Company has investments in limited partnerships and trusts that are not consolidated within these financial statements:

(000's)	Centennial Plaza Limited Partnership	MDO Limited Partnership	Trois Riviere Limited Partnership	Northwest Plaza Commercial Trust	Plaza LPC Commercial Trust	Total
Accounting method	Equity	Equity	Equity	Cost	\$ -	
Ownership position	10%	20%	15%	10%	-	
Preferred return on investment	10%	10%	10%	-	-	
Profit entitlements after payment of preferred return	20%	30%	30%	-	-	
Maximum amount of additional loan indemnities	\$ 3,000	-	-	-	-	
Total investment - 2005	\$ 510	\$ 435	\$ 700	\$ 260	\$ -	\$ 1,905
- 2004	\$ 550	\$ 400	\$ -	\$ 170	\$ 230	\$ 1,350

The Company has provided a limited indemnity of up to \$3 million related to certain matters, principally environmental, in relation to a mortgage granted to Centennial Plaza Limited Partnership.

The Company's ownership position in MDO Limited Partnership and Trois Riviere Limited Partnership is from its 100% ownership in MDO Commercial Trust.

The Company acquired the remaining 90% interest in Plaza LPC Commercial Trust on August 31, 2005, and since then this property has been consolidated.

8. Deficit of Subsidiaries / Non Controlling Interest in Net Assets

(000's)	October 31, 2005	October 31, 2004
Deficit of Subsidiaries		
Spring Park Plaza Inc.	\$ -	\$ 8
SCA Plaza Inc.	4	-
McAllister Drive Plaza Inc.	47	31
Granville Street Properties Limited Partnership	333	205
Wildan Properties Limited Partnership	540	32
	\$ 924	\$ 276

As at October 31, 2005 the excess draws for Spring Park Plaza Inc. exceeded underlying contractual guarantees by \$27 thousand and this amount was charged to consolidated net income (October 31, 2004 – nil).

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2005 and 2004

(000's)	October 31, 2005	October 31, 2004
Non Controlling Interest in Net Assets		
Les Galeries Montmagny (1988) Inc.	\$ -	\$ 372
Exhibition Plaza Inc.	5	133
SCA Plaza Inc.	-	6
	\$ 5	\$ 511

9. Mortgages Payable

(000's)	Average Rate	Maturity Dates	October 31, 2005	October 31, 2004
Fixed rate loans	6.87%	Up to Apr 2020	\$ 87,501	\$ 72,381
Other fixed rate loans	9.57%	Dec 2009	6,085	1,130
Variable rate loans – regular	Prime plus 0.75%	Oct 2006	1,020	4,559
Variable rate loan – construction line of credit	Prime plus 0.625%	Apr 2007	15,039	4,581
			\$ 109,645	\$ 82,651

10. Mortgage Bonds Payable

Mortgage bonds payable of \$12.5 million are secured by property of the Company as follows:

(000's)	October 31, 2005			October 31, 2004
	Series I	Series II	Total	
<u>Mortgage Bonds</u>				
Champlain Plaza, Dieppe, NB, 2 nd Mortgage	\$ -	\$ 952	\$ 952	\$ -
Tri-County Mall, Yarmouth, NS, 1 st & 2 nd Mortgage	2,525	628	3,153	600
Madawaska Road Plaza, Grand Falls, NB, 2 nd Mortgage	-	454	454	-
LPC Rouyn, Rouyn-Noranda, QC, 1 st Mortgage	-	-	-	4,450
Main Place, Fredericton, NB, 2 nd Mortgage	-	667	667	-
912 East River Plaza, New Glasgow, NS, 2 nd Mortgage	-	245	245	-
315 Main Street Plaza, Antigonish, NS, 2 nd Mortgage	-	1,178	1,178	-
MBD Plaza, Saint John, NB, 2 nd Mortgage	-	1,626	1,626	-
Pleasant Street Plaza, Yarmouth, NS, 2 nd Mortgage	-	1,906	1,906	-
Miramichi Power Centre-Phase 1, Miramichi, NB, 2 nd Mortgage	-	1,392	1,392	-
St. Peters Street, Bathurst, NB, 1 st Mortgage	-	824	824	-
Crown Street, Saint John, 1 st Mortgage	-	98	98	-
Miramichi Power Centre-Phase 2, Miramichi, NB, 1 st Mortgage	-	30	30	-
Mortgage bonds outstanding	\$ 2,525	\$ 10,000	\$ 12,525	\$ 5,050

Series I and Series II mortgage bonds pay interest at 12% and 8.5% per annum, and mature June 20, 2008 and March 31, 2010 respectively.

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
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11. Debentures Payable

Debentures payable consist of the following:

		October 31, 2005			October 31, 2004	
(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 1	April 30, 2008	9.5%	\$ 803	\$ 34	\$ 3,060	\$ 130
Series 2	October 31, 2008	9.5%	2,748	116	4,638	198
Series 3	April 30, 2009	8.5%	9,350	436	9,602	450
Total convertible debentures			12,901	586	17,300	778
Non convertible subordinate						
Series 4	July 31, 2010	8.0%	3,833	-	-	-
Total			\$ 16,734	\$ 586	\$ 17,300	\$ 778

Convertible debenture terms are as follows:

	Series I	Series II	Series III
Conversion price	\$1.00	\$1.20	\$1.60
First redemption date	May 1, 2006	November 1, 2006	May 1, 2007
Maturity date	April 30, 2008	October 31, 2008	April 30, 2009
Face value outstanding, October 31, 2005 (000's)	\$820	\$2,820	\$9,650

Convertible debentures may only be redeemed 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. If the convertible debentures are redeemed in shares, the holder will receive shares equal to the principal amount maturing divided by 95% of the then current market price of the common shares.

12. Notes Payable

Notes payable consists of the following:

(000's)	Maturity Date	Interest Rate	October 31, 2005	October 31, 2004
Interest Bearing Notes				
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta	(1)	Prime plus 1%	\$ 917	\$ 939
Unrelated party	December 1, 2006	8%	100	100
Non-interest bearing notes:				
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, a Director of the Company	(1)	n/a	425	482
Unrelated parties and non-controlling interests	(1)	n/a	1,124	532
Total notes payable			\$ 2,566	\$ 2,053

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

Plazacorp Retail Properties Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2005 and 2004

13. Bank Indebtedness

Bank indebtedness is payable on demand with interest at prime plus 0.75% and is secured by three income producing properties.

14. 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:

(000's)		
For the Years Ended October 31	2005	2004
Taxes at an effective rate of 43.2% (October 31, 200 – 43.7%)	\$ 66	\$ 1,254
Permanent differences due to non deductible items	128	-
Permanent differences due to mutual fund corporation treatment of capital gains	-	(1,168)
Other	(11)	(6)
Total income tax expense	\$ 183	\$ 80

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:

(000's)		
For the Years Ended October 31	2005	2004
<u>Future income tax assets</u>		
Loss carry-forwards of Plazacorp Retail Properties Ltd.	\$ 2,003	\$ 1,142
Loss carry-forwards of subsidiaries	212	168
Loss carry-forwards from trusts and partnerships	172	-
Total assets	2,387	1,310
<u>Future income tax liabilities</u>		
Income producing properties	8,022	5,463
Deferred revenue	617	-
Deferred financing costs	186	410
Deferred income from trusts and partnerships	-	584
Total liabilities	8,825	6,457
Net future income tax liability	\$ 6,438	\$ 5,147

As at October 31, 2005, the Company had income tax loss carry-forwards in the amount of \$4.63 million, expiring as follows:

(000's)	Amount
2012	\$ 2,231
2013	303
2014	2,100
Total	\$ 4,634

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.

As a mutual fund corporation, the Company is entitled to a refund of taxes paid in respect of realized capital gains upon payment of sufficient dividends to affect a refund. The Company has recognized a refund receivable of \$108 thousand as at October 31, 2005 (October 31, 2004 - \$132 thousand).

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Notes to the Consolidated Financial Statements
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15. 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

(000's)	October 31, 2005		October 31, 2004	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the year	32,288	\$ 17,685	30,042	\$ 15,392
Issuance of common shares:				
Shares issued pursuant to asset purchase agreements	-	-	1,418	1,418
Shares issued through exercise of options	87	76	213	202
Shares issued through dividend reinvestment plan	110	205	98	119
Shares issued through debt conversion	4,199	4,713	517	554
Common shares outstanding, end of the year	36,684	\$ 22,679	32,288	\$ 17,685

As at October 31, 2005, 3.1 million shares (October 31, 2004 - \$6.54 million shares) are subject to escrow provisions and hold periods that expire on various dates up to September 2006.

Pursuant to the Company's Dividend Re-Investment Plan, during the period ended October 31, 2005, shareholders were issued 110 thousand shares at a weighted average price of \$1.86 per share (for the year ended October 31, 2004 - 98 thousand shares at a weighted average of \$1.20 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. Series 1, 2 and 3 convertible debentures totalling \$13.3 million as of October 31, 2005, convertible to 9.2 million shares could potentially dilute future earnings per share, but were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive (for the year ended October 31, 2004 - \$14.8 million in debentures convertible to 10.25 million shares were anti-dilutive).

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

(000's)	2005	2004
For the Years Ended October 31,		
Weighted average number of shares	35,212	31,702
Effect of dilutive stock options	296	61
Effect of dilutive debenture conversions	-	3,475
Weighted average number of diluted shares	35,508	35,238
Net (loss) income, net of income tax	\$ (224)	\$ 2,437
Diluted net (loss) income, net of income tax	\$ (224)	\$ 2,648

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16. Stock Options

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.

On August 31, 2001, the Company granted and issued 400 thousand stock options to employees. These options have an exercise price of \$0.75 and are fully vested and detailed herein as Series II options. 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 early in January 2006, January 2007, and January 2008.

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

(000's) For the Years Ended October 31,	Directors Options		Employees Options	
	2005	2004	2005	2004
Options outstanding, start of the year	-	-	144	367
Options granted	255	-	1,360	-
Options expired	-	-	(25)	(10)
Options exercised	-	-	(88)	(213)
Options outstanding, end of the year	255	-	1,391	144

Details of options outstanding are as follows:

(000's) – Except exercise price

	Exercise Price	# of Options	Expiry Date	# of Options Exercisable
Series II	\$0.75	31	August 3, 2006	31
Series III	\$1.72	1,585	February 3, 2010	NIL
Series III	\$1.85	30	April 15, 2010	NIL

The Company recorded \$20 thousand in compensation expense related to stock options for the twelve months ended October 31, 2005 (year ended October 31, 2004 – \$17 thousand).

The amount of compensation expensed in prior years for Series II options not exercised at the end of the period is \$4 thousand (October 31, 2004 - \$17 thousand). The amount of compensation expensed in the current period for Series III options not exercised at the end of the period is \$23 thousand (October 31, 2004 - nil). The cumulative amount of \$27 thousand (October 31, 2004 - \$17 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
Expected life of options	5 years	5 years
Volatility	18%	16%
Risk free rate of return	5.4%	3.58%
Dividend rate	0%	6.10%

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17. Related Party Transactions

Plaza Atlantic Limited (the "Property Manager"), a private Corporation wholly owned by some of the Company's directors, namely Earl Brewer, Michael Zakuta, and Paul Leger, a former director, is 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.

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

Property Management	5% of gross rents paid (4% effective November 1, 2005).
Acquisitions	2% of the purchase price of assets.
Dispositions	1 ½ % of the proceeds of disposition on assets.
Leasing Fees	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 Fees	4% of costs of construction on development projects.
Construction Management Fees	10% of tenant improvement costs on non-development projects.
Financing Fees	¾ % of loan amount where no outside broker is involved. ¼ % of loan amount where an outside broker is involved.
Legal Services	Cost recovery basis, currently \$130 per hour.

Fees charged by the Property Manager are as follows:

(000's)		For the Years Ended October 31,	
Fee Category	Included for Reporting Purposes In	2005	2004
Management fees	Property operating expenses	\$ 1,260	\$ 1,059
Leasing fees	Tenant acquisition costs	1,260	696
Development fees	Income producing properties	980	498
Financing fees	Deferred charges	141	46
Acquisition fees	Income producing properties	88	418
Disposition fees	Gain or loss on sale of property	-	242
Legal services	Property acquisition cost and general administrative	251	109
Total fees billed by the Property Manager		\$ 3,980	\$ 3,068

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

(000's) Related Party	For the Years Ended October 31,	
	2005	2004
Richard Hamm, Director	\$ 775	\$ 865
Michael Zakuta, Director	1,749	1,899
Edouard Babineau, Director	700	600
Willard L'Heureux, Director	650	450
Earl Brewer, Director	820	520
Stephen Johnson, Director	1,125	555
Barbara Trenholm, Director	100	-
Paul Leger, Director in 2004	-	125
Total related party mortgage bonds and debentures held	\$ 5,919	\$ 5,014

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For the year then ended, Series I debentures were converted by Directors of the Company, or companies owned and controlled by Directors Richard Hamm (\$365 thousand), Michael Zakuta (\$400 thousand), Earl Brewer (\$150 thousand), and Stephen Johnson (\$100 thousand) resulting in the issuance of 1,015 thousand shares.

For the year then ended Series II debentures were converted by Directors of the Company or companies owned and controlled by Directors Michael Zakuta (\$275 thousand), Ed Babineau (\$100 thousand), resulting in the issuance of 312 thousand shares.

Two directors directly or beneficially share interests in common with the Company having a 50% interest in the Gateway Mall, Sussex, NB property being Earl Brewer (25%) and Plaza Z Corp (Michael Zakuta) (21.5%). There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

18. Interest in Joint Ventures

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

(000's)		
As at, for the Years Ended October 31	2005	2004
Assets	\$ 43,331	\$ 45,799
Liabilities	31,271	30,864
Rental income	7,495	9,990
Expenses, including financing costs but excluding amortization	5,419	3,336
Net income	1,449	3,279
Funds from (applied to)		
Cash flow from operating activity	1,595	1,264
Cash flow from financing activity	472	6,244
Cash flow from investing activity	(1,350)	(558)

19. Contingencies, Commitments, Guarantees and Indemnities

a) Letters-of-Credit

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 30, 2006. 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 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)							After 5	
Contractual Obligations	2006	2007	2008	2009	2010	Years	Total	
Mortgages	\$ 20,616	\$ 3,188	\$ 2,345	\$ 10,655	\$ 11,368	\$ 61,473	\$ 109,645	
Bonds and debentures	-	-	6,165	9,650	13,833	-	29,648	
Operating land leases (1)	1,400	1,404	1,413	1,454	1,469	25,312	32,452	
Development activities	4,971	-	-	-	-	-	4,971	
Other long-term obligations	450	-	-	-	-	-	450	
Total contractual obligations	\$ 27,437	\$ 4,592	\$ 9,923	\$ 21,759	\$ 26,670	\$ 86,785	\$ 177,166	

(1) Operating leases expire on dates ranging from 2011 to 2063 with renewal options ranging from 10 to 60 years

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c) Guarantees and Indemnities

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. 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 October 31, 2005 is \$8.3 million (October 31, 2004 – \$8.45 million) with an estimated weighted average remaining term of 6.9 years (October 31, 2004 – 7.9 years).

The mortgage on Lansdowne Place contains cross-default provisions with the mortgages of Nashwaaksis Plaza and Spring Park Plaza. The total outstanding under these two loans is \$3.59 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.

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. The total exposure on this cross-guarantee is \$834 thousand (October 31, 2004 - \$862 thousand).

The Company has provided a limited indemnity of up to \$3 million related to certain matters, principally environmental, in relation to a mortgage granted to Centennial Plaza Limited Partnership.

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

20. 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.

21. 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 \$1.35 million.

The Company minimizes their exposure to interest credit 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.

The Company is also subjected to risk from borrowers defaulting on the repayment of their mortgages. The Company ensures that adequate security is provided to support all mortgage receivables.

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22. Comparative Figures

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

23 Subsequent Events

Between October 31, 2005 and February 10, 2006 the following material activities have taken place:

Debentures

- 1) \$220,000 of Series I convertible debentures were converted to shares and 220,000 shares were issued;
- 2) \$1,780,000 of Series II convertible debentures were converted to shares and 1,483,330 shares were issued; and,
- 3) \$1,479,000 of Series III convertible debentures were converted to shares and 924,375 shares were issued.

Acquisition and sales

The Company purchased \$3.034 million of land for future development in Prince Edward Island, NB and QC.

The Company sold land surplus to development for \$2.568 million in NB.

Financing

The Company has obtained long-term financing totalling \$17.923 million on five properties at an average interest rate of 5.18%.

Debt Repayment

The Company repaid \$10.581 million of the development and acquisitions credit line.