



PLAZACORP RETAIL  
PROPERTIES LTD.

**PLAZACORP RETAIL PROPERTIES LTD.  
QUARTERLY REPORT**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

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

**DATED: MARCH 28, 2006**

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

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

These forward-looking statements are made as of March 28, 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 ratios indicative of the financial strengths of the Company.

1. Interest Coverage Ratio is defined as the multiple by which EBITDA exceeds financing costs (interest plus amortization of 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-Jan-06	Notes
<b><u>Strip Plazas</u></b>						
Plaza Hotel de Ville	Rivière-du-Loup, QC	20,185	100%	20,185	92.4%	
Plaza Super C	Shawinigan, QC	129,923	100%	129,923	100.0%	
Les Promenades St. Francois	Laval , QC	55,290	50%	27,645	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	75,280	55%	41,404	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	24,366	100%	24,366	100.0%	
Lansdowne Place	Saint John, NB	204,344	50%	102,172	96.0%	
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
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 Center-Phase I	Miramichi, NB	38,074	100%	38,074	92.9%	
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
Major Brook Drive	Saint John, NB	40,640	100%	40,640	85.6%	
Champlain Plaza	Dieppe, NB	48,755	100%	48,755	100.0%	
Crown Street	Saint John, NB	26,027	100%	26,027	69.0%	2
Staples Plaza	Dartmouth, NS	152,810	50%	76,405	96.6%	
Staples Plaza	New Glasgow, NS	33,753	100%	33,753	100.0%	1
Tacoma Centre	Dartmouth, NS	160,991	100%	160,991	96.8%	
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	98.0%	
303 Main St. Plaza	Antigonish, NS	21,484	100%	21,484	73.9%	
Welton Street Plaza	Sydney, NS	20,975	100%	20,975	100.0%	1
Tacoma Valley Field	Dartmouth, NS	28,954	100%	28,954	70.5%	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	67,554	60%	40,532	99.3%	
Spring Park Plaza	Charlottetown, PEI	46,328	85%	39,379	100.0%	
<b>Sub-total</b>		<b>1,910,096</b>		<b>1,417,320</b>	<b>96.9%</b>	
<b><u>Enclosed Malls</u></b>						
Les Galeries Montmagny	West Tache, Montmagny, QC	133,852	50%	66,927	97.3%	
Grand Falls Shopping Mall	Grand Falls, NB	148,558	100%	148,558	91.5%	
Gateway Mall	Sussex, NB	141,771	25%	35,443	96.8%	
Les Promenades du Cuivre	Rouyn-Noranda, QC	125,777	100%	125,777	94.2%	
Oromocto Mall	Oromocto, NB	76,563	100%	76,563	99.7%	
Starrs Road	Yarmouth, NS	55,466	100%	55,466	73.4%	2
<b>Sub-total</b>		<b>681,987</b>		<b>508,733</b>	<b>93.7%</b>	

## PLAZACORP RETAIL PROPERTIES LTD.

Property/ Project	Location	Total Leasable Area (sq. ft.)	Ownership Interest (%)	Ownership (sq.ft.)	Occupancy or Committed Lease as at 31-Jan-06	Anticipated Change to Income Producing Status
<b>Single Use</b>						
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
<b>Sub-total</b>		113,175		87,442	100.0%	
<b>Total Income Producing Properties</b>		2,705,258		2,013,494	96.2%	
<b>Projects Under Development</b>						
Miramichi Power Center-Phase 2	Miramichi, NB	19,600	100%	19,600	30.6%	Q3 06
St. Peters Avenue	Bathurst, NB	22,036	100%	22,036	77.3%	Q1 07
UAS Plaza	Charlottetown, PE	23,336	100%	23,336	80.7%	Q3 06
Pleasant Street Plaza	Yarmouth, NS	25,586	100%	25,586	60.1%	
<b>Sub-total</b>		90,558		90,472	63.2%	
<b>Total Excluding Non-Consolidated Trusts and Partnerships</b>		2,795,816		2,103,966	95.1%	
<b>Holdings of Non-Consolidated Trusts and Partnerships</b>						
Marche De L'Ouest	Dollard des Ormeaux, QC	122,174	20%	24,435	88.6%	
Trois Rivieres Limited Partnership	Trois Rivieres, QC	72,189	15%	10,950	54.8%	Q2 06
Place Du Marche	Dollard des Ormeaux, QC	35,264	10%	3,526	100.0%	
Centennial Plaza	Dollard-des-Ormeaux, QC	152,188	10%	15,219	74.4%	
Northwest Centre	Moncton, NB	177,171	10%	17,717	99.0%	
<b>Sub-total</b>		558,986		71,847	84.4%	
<b>Grand Total</b>		3,354,802		2,175,813	93.3%	

Note: 1. Interest held subject to a ground lease.  
2. Properties under partial re-development as at January 31, 2006.

Champlain Plaza, and Major Brook Drive Plaza became income producing properties during the quarter ended January 31, 2006.

As at January 31, 2006 the Company owns interests in 58 properties including land on St. Anne Street in Bathurst, New Brunswick, and in Magog, Quebec, held for development directly and through subsidiaries and joint ventures.

Subsequent to January 31, 2006, the Company purchased The Village Shopping Mall in St. John's, Newfoundland, and acquired lands on Kenmount Road, St. John's, Newfoundland and Kings Road, Sydney River, Nova Scotia for the proposed development of strip plazas increasing total properties to 61 as at March 28, 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 January 31, 2006 currently includes interests in 56 properties totaling 3.3 million square feet (ft<sup>2</sup>) and two parcels 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 January 31, 2006 are detailed in the consolidated financial statements in Note 18 Subsequent Events.

## **PLAZACORP RETAIL PROPERTIES LTD.**

### **STRATEGY**

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

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.

## **PLAZACORP RETAIL PROPERTIES LTD.**

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.

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 2006 fiscal year has been a very active period for Plazacorp. The Company is in a development period and expects activities commenced in 2006 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 January 31, 2006 FFO was 5.4¢ compared to 4.0¢ per share for the same period in 2005.
- **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)**
  - ⇒ Increase of 27% compared to same quarter last year.
- **DEBT SERVICE RATIOS – EXCLUDING IMPACT OF CONVERTIBLE DEBENTURES**
  - ⇒ Interest Coverage Ratio – unchanged over 2005.
  - ⇒ Debt Service Coverage Ratio – decreased 0.10 times over 2005.
- **OCCUPANCY**
  - ⇒ Increase year-over-year in strip plazas by 0.6%.
  - ⇒ Decrease in enclosed malls of 2.7%.
  - ⇒ Single use properties unchanged at 100% occupancy.
  - ⇒ Overall occupancy at 96.2% excluding non-consolidated trusts and partnerships and properties under development.
- **SAME-ASSET NET PROPERTY OPERATING INCOME**
  - ⇒ Increased 4% for the quarter ended January 31, 2006.
- **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 2005.

## PLAZACORP RETAIL PROPERTIES LTD.

### OUTLOOK

The primary benefit to Shareholders of the Company's performance is a reliable and, over time, increasing dividend. Dividends to shareholders were 12.5¢ per share for 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.

### SUMMARY OF FUNDS FROM OPERATIONS ("FFO")

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

(000's) – Except per share amounts		
<b>For the Three Months Ended January 31,</b>	<b>2006</b>	<b>2005</b>
<b>Total revenues</b>	<b>\$ 8,582</b>	<b>\$ 6,782</b>
Basic earnings (loss) share	\$ 0.030	\$ (0.001)
Diluted earnings (loss) per share	\$ 0.028	\$ (0.001)
<b>Net income (loss)</b>	<b>\$ 1,116</b>	<b>\$ (23)</b>
Gain on sale of property	(1,917)	-
Income tax expense	965	143
Amortization	1,953	1,443
Non-controlling interests	47	57
Financing costs	2,564	2,111
<b>Earnings before interest, income taxes, depreciation and amortization (EBITDA)</b>	<b>4,728</b>	<b>3,731</b>
Less:		
Financing costs	(2,564)	(2,111)
Current income taxes	(20)	(38)
Equity component of debenture interest	27	33
Non-controlling interest in FFO	(157)	(252)
Corporate amortization	(11)	(13)
<b>Basic funds from operations (FFO)</b>	<b>2,003</b>	<b>1,350</b>
Interest on outstanding debentures	244	336
<b>Diluted FFO</b>	<b>\$ 2,247</b>	<b>\$ 1,686</b>
Basic weighted average shares outstanding	37,172	33,588
<b>Basic FFO per share</b>	<b>\$ 0.054</b>	<b>\$ 0.040</b>
Diluted shares outstanding per consolidated financial statements	37,601	33,650
Diluted effect of excluded convertible debentures	7,635	10,725
Total diluted shares outstanding	45,236	44,375
<b>Diluted FFO per share</b>	<b>\$ 0.050</b>	<b>\$ 0.038</b>

*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 9c of the consolidated financial statements January 31, 2006).*

## PLAZACORP RETAIL PROPERTIES LTD.

### ➤ KEY PERFORMANCE INDICATOR

For the three months ended January 31, 2006 FFO was up 48% overall and on a per share basis was 5.4¢ per share (5.0¢ diluted) compared to 4.0¢ per share (3.8¢ diluted) for the corresponding 2005 period.

The Company is continuing a substantial development program and has significant funds invested in the equity of projects under development or significant re-development. In addition to new developments, properties at Starrs Road Plaza, Lansdowne Place, Oromocto Mall and 201 Chain Lake Drive were in re-development programs during 2005. Funds invested in development and re-development of these assets started to generate earnings in the current period contributing to an increase in net operating income. This trend will continue through 2006. The Company is continuing its development program for 2006 and anticipates these asset additions will enhance FFO in late 2006 and 2007.

The Company received \$130 thousand in lease termination fees which increased FFO by 0.3¢ and are not expected to re-occur. The impact of the reduction in management fees to 4% from 5% and the agreement of the Chief Executive Officer, Michael Zakuta, to end salary payments by the Company, contributed 0.2¢ per share to FFO in the period. These factors and several minor adjustments produce a current period FFO consistent with management's expectations for the Company during a development period.

There were no significant operational variances within the same asset pool.

### SUPPLEMENTAL DISCLOSURE – FUNDS FROM OPERATIONS (FFO)

(000's) For the Three Months Ended January 31,	2006	2005
<b>Non Cash Items Included in FFO</b>		
Straight line rent	\$ 179	\$ 99
Above and below market rent	68	59
Amortization of deferred finance charges	94	58
<b>Capital Expenditures for Completed Projects</b>		
Square feet constructed	86,615	39,865
Building cost per square foot (excluding land)	\$ 93.91	\$ 54.17
Tenant allowance per square foot	21.08	28.90
Leasing commission cost per square foot	6.29	4.83
Total	\$ 121.28	\$ 87.9

*Costs for completed projects span a two year period based on completed projects.*

Tenant Acquisition Costs for New Leasing	2006	2005
Tenant acquisition costs – new tenants		
Square feet	92,967	61,097
Tenant allowance	\$ 34.67	\$ 23.22
Leasing commissions	\$ 5.94	\$ 5.13
Tenant acquisition costs – renewed tenants		
Square feet	11,468	8,754
Tenant allowance	\$ -	\$ 0.51
Leasing commissions	\$ 1.35	\$ 0.71

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

Tenant acquisition costs detailed in operating activities include:

(000's) For the Three Months Ended January 31,	2006	2005
Tenant acquisition cost for income producing properties	\$ 168	\$ -
Tenant acquisition costs for properties under development	3,497	525
Total	\$ 3,665	\$ 525

## PLAZACORP RETAIL PROPERTIES LTD.

(000's)			
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>
Capital expenditures in development properties	\$	<b>8,256</b>	\$ 6,732
Acquisitions during the period		-	1,608
Total gross additions during the period	\$	<b>8,256</b>	\$ 8,340

### ➤ KEY PERFORMANCE INDICATOR

During the periods ended January 31, 2006 and 2005 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and associated liquidity measures were as follows:

(000's)			
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	\$	<b>4,728</b>	\$ 3,731
Interest related to debenture accretion	\$	<b>27</b>	\$ 33
Interest on outstanding debentures		<b>244</b>	336
Total debenture interest		<b>271</b>	369
Financing cost - excluding debenture interest		<b>2,293</b>	1,742
Total financing costs		<b>2,564</b>	2,111
Periodic mortgage principal repayments		<b>492</b>	386
Total annual debt service	\$	<b>3,056</b>	\$ 2,497
<b>Including Impact of Convertible Debentures</b>			
Interest coverage ratio		<b>1.8 times</b>	1.8 times
Debt service coverage ratio		<b>1.5 times</b>	1.5 times
<b>Excluding Impact of Convertible Debentures</b>			
Interest coverage ratio		<b>2.1 times</b>	2.1 times
Debt service coverage ratio		<b>1.7 times</b>	1.8 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 2006 AND 2005

The majority of the increase in revenue from properties was attributable to new acquisitions and development during 2006 and 2005. Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the three months ended January 31, 2006 and for the entire year ended October 31, 2005.

#### PROPERTY OPERATING INCOME

Same-asset categorization refers to those properties which were owned and operated by Plazacorp for the three months ended January 31, 2006 and 2005 where such assets had no significant new development or construction occurring during these periods.

(000's)				Change	
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>	\$	%
<b>Revenue</b>					
Same asset rental revenue	\$	<b>6,423</b>	\$ 6,381	\$ 42	1
Excluded assets rental revenue		<b>2,099</b>	169	1,930	1,142
Total rental revenue		<b>8,522</b>	6,550	1,972	30
<b>Expenses</b>					
Same asset operating expenses		<b>1,471</b>	1,592	(121)	(8)
Same asset realty taxes		<b>1,061</b>	1,035	26	3
Excluded assets operating expenses		<b>756</b>	29	727	2,517
Excluded assets realty taxes		<b>218</b>	46	172	365
Total expenses		<b>3,506</b>	2,702	804	30
<b>Same asset property operating income</b>	\$	<b>3,891</b>	\$ 3,754	\$ 137	4
<b>Excluded asset property operating income</b>	\$	<b>1,125</b>	\$ 94	\$ 1,031	1,109
<b>Total property operating income</b>	\$	<b>5,016</b>	\$ 3,848	\$ 1,168	30

## **PLAZACORP RETAIL PROPERTIES LTD.**

### NOTES TO QUARTERLY INFORMATION SUMMARY FOR THE PERIODS JANUARY 31, 2004 AND 2005

Rental revenues for the three months ended January 31, 2006 has increased from \$6.6 million to \$8.5 million representing a 30% increase over the same period last year, largely as the result of asset growth. Same asset rental revenue is up \$42 thousand to \$6.4 million for the period ended January 31, 2006 in comparison to the same period last year. This increase is due to several minor factors.

Total property operating expenses increased 37% to \$2.2 million for the period ended January 31, 2006 compared to \$1.6 million for the same period last year due primarily to asset growth. For the same asset class, property operating expenses decreased to \$1.5 million compared to \$1.6 million for the same period last year, as a result of the reduction in management fees charged by the manager to 4% from 5% and several other minor factors.

Total realty tax expense increased 18% to \$1.3 million for the period compared to \$1.1 million for the same period in 2005. For the same asset class, realty tax expense increased 3% to \$1.1 million for the period ended January 31, 2006 from \$1.0 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 net property operating income increased 30% to \$5.0 million for the period compared to \$3.8 million for the same period in 2005.

#### ➤ **KEY PERFORMANCE INDICATOR**

Net property operating income for same assets increased by \$177 thousand or 4% for the period ended January 31, 2006 compared to the same period last year, which is consistent with expectations.

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 a period 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. 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.

#### *INVESTMENT INCOME*

Investment income for the period ended January 31, 2006 has decreased to \$60 thousand from \$232 thousand for the period ended January 31, 2006. 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. Operating income from the Centennial and Marche-West partnership was below expectation.

#### *ADMINISTRATIVE EXPENSES*

Administrative expenses were \$186 thousand for the period ended January 31, 2006 and were down \$59 thousand compared to \$239 thousand for the comparable period in 2005. This decrease is primarily attributed to the agreement by the Chief Executive Officer with the Board to stop salary payments effective November 1, 2005 and to the absence of certain one time administrative 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.

#### *GAIN ON DISPOSAL OF INCOME PRODUCING PROPERTIES*

In the period the Company disposed of lands, surplus to development of two of income producing properties in Miramichi and Oromocto to a national retailer for a gain of \$1,917 thousand.

## PLAZACORP RETAIL PROPERTIES LTD.

### AMORTIZATION

During the period ended January 31, 2006 amortization expense has increased \$510 thousand compared to the same period in 2005, due to asset growth and change to income producing status of certain properties under development in 2005.

(000's)			
For the Three Months Ended January 31,	2006	2005	Change
Same-asset amortization	\$ 1,359	\$ 1,303	\$ 56
Acquisitions and exclusions	594	140	454
Total amortization	\$ 1,953	\$ 1,443	\$ 510

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 period ended January 31, 2006 the Company and its subsidiaries recorded \$162 thousand in capital taxes compared to \$110 thousand in 2005. 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.

### 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		0.09	0.09	0.08
Basic weighted average shares outstanding		35,212	31,702	29,928
Assets		172,444	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 58 properties at January 31, 2006. 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.

# PLAZACORP RETAIL PROPERTIES LTD.

## PART III

### SUMMARY OF QUARTERLY INFORMATION

February 1, 2004 to January 31, 2006

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

	Q1'06	Q4'05	Q3'05	Q2'05	Q1'05	Q4'04	Q3'04	Q2'04
Total revenue	\$ 8,582	\$ 8,091	\$ 6,969	\$ 6,874	\$ 6,782	\$ 6,830	\$ 6,172	\$ 6,211
Net income (loss) for the period	1,116	(44)	(69)	(88)	(23)	(25)	(44)	2,491
Basic earnings (loss) per share	0.030	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	0.079
Diluted earnings (loss) per share	0.028	(0.001)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	0.067
Dividends paid including dividend reinvestment plan	963	938	932	919	726	715	711	710
Dividends per share	0.0263	0.0263	0.0263	0.0263	0.0225	0.0225	0.0225	0.0225
Weighted average shares outstanding	37,172	36,255	35,659	35,350	33,588	31,965	31,786	31,581
Total assets	180,306	172,444	158,395	150,407	139,058	138,161	138,115	133,217
Mortgages payable	115,602	109,645	96,345	90,251	88,343	82,651	84,293	83,315
Bonds and debentures payable	28,448	29,259	28,434	26,667	19,620	22,350	22,650	18,245
Notes payable	2,426	2,566	2,001	1,930	1,810	2,053	1,935	1,957
Bank indebtedness	-	-	-	-	13	69	223	-
FFO per share								
Basic	0.054	0.050	0.040	0.035	0.040	0.046	0.040	0.036
Diluted	0.050	0.046	0.038	0.034	0.038	0.041	0.038	0.034

### 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.

# **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 plus ¾%. 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 January 31, 2006, the Company had drawn \$4.4 million under the facility. The remaining facility may be drawn subject to standard lending terms. Subsequent to January 31, 2006 and up to March 28, 2006, the Company had drawn additional funds of \$2.9 million on the facility.

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 January 31, 2006, 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 January 31, 2006.

The above credit facilities require the Company to maintain certain balance sheet equity accounts including convertible debentures at predetermined levels and to maintain debt service ratios based on EBITDA in excess of fixed thresholds. As of January 31, 2006, 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 March 28, 2006, the Company has not yet negotiated refinancing on three assets with mortgages 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 the first quarter of 2006 the Company issued \$1.33 million of 8% subordinate debentures maturing July 2010 for beneficial corporate use.

During the quarter \$100,000 of Series I convertible debentures, \$650,000 of the Series II convertible debentures, and \$1,479,000 of Series III convertible debentures were converted to share capital and 1,566,042 shares were issued.

### MORTGAGE BOND USAGE

Mortgage bond funds were deployed to fund Company properties as at January 31, 2006 as detailed in Note 10 to the January 31, 2006 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.

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 95.3% of total mortgage debt.

#### ➤ **KEY PERFORMANCE INDICATORS**

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

	January 31, 2006	January 31, 2005	Change
Permanent fixed long-term mortgage debt	6.57%	7.41%	(0.84)
Permanent variable long-term mortgage debt	6.25%	5.25%	1.0
Other fixed rate debt	9.57%	9.57%	-
Bank operating facilities	Prime + ¾%	Prime + ¾%	-
Bank development facility	Prime + 5/8%	Prime + ¾%	(0.13)

(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 January 31, 2006 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 7.3 years from 6.9 years in January 2005, as a result of new long-term debt placed on developments and existing properties that were in position to be financed. The average remaining amortization or repayment period on long-term mortgage debt is 21.4 years.

From November 1, 2005 to March 28, 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 contributed to improvements in the weighted average interest cost of mortgage debt term to maturity and remaining amortization of mortgages outstanding as at January 31, 2006.

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.

## PLAZACORP RETAIL PROPERTIES LTD.

### COMMITMENTS

Plazacorp's current commitments for the development of expansion lands, costs to complete development projects, and re-development projects initiated and scheduled for future periods is \$9.5 million. Management believes that Plazacorp has sufficient unused bank line availability, mortgage bond availability, and recently acquired un-encumbered 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 2007	2-3 years 2008 to 2009	4-5 years 2010 to 2011	After 5 years	
<b>Contractual obligations</b>						
Mortgages	\$ 115,602	\$ 10,202	\$ 12,841	\$ 15,554	\$ 77,005	
Mortgage bonds and debentures	28,745	-	5,416	23,329	-	
Operating land leases	32,105	1,401	2,830	2,929	24,945	
Development activities	9,453	9,453	-	-	-	
Other obligations	450	450	-	-	-	
<b>Total contractual obligations</b>	<b>\$ 186,355</b>	<b>\$ 21,506</b>	<b>\$ 21,087</b>	<b>\$ 41,812</b>	<b>\$ 101,950</b>	

(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 \$8.26 million as at January 31, 2006. See note 14c of the January 31, 2006 consolidated financial statements.

The Company guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$827 thousand. See note 14c of the January 31, 2006 consolidated financial statements.

## PART V

### CRITICAL ACCOUNTING POLICIES

#### CRITICAL ACCOUNTING ESTIMATES

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

#### NON-CONTROLLING INTEREST

Non-controlling interests represent the common ownership positions in subsidiary entities held by unrelated parties. The interest is recorded at the proportionate interest of those parties in the underlying book value of the entity. This interest, for each year, are 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.

## **PLAZACORP RETAIL PROPERTIES LTD.**

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 2006. 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 January 31, 2006 (January 31, 2005 –nil).

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

### *VARIABLE INTEREST ENTITIES*

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 had determined that there are no significant changes required to the financial statement presentation of its consolidated subsidiaries, proportionately consolidated joint ventures or investments in non-consolidated partnerships and trusts as at January 31, 2006 compared to October 31, 2005.

There were no changes to accounting policies in the first quarter, please refer to October 31, 2005 Consolidated Financial Statements for a full description of the Company's accounting policies.

## **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 January 31, 2006 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.

## **PLAZACORP RETAIL PROPERTIES LTD.**

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 11.68% of contracted revenue in place. The top 10 tenants collectively represent approximately 38% of total revenues.

### *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 \$356 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions Management may take in relation to the changes.

### ➤ **KEY PERFORMANCE INDICATOR**

Occupancy in the strip plazas was 96.9% for the quarter ended January 31, 2006 compared to 96.3% for the same period last year.

Average occupancy in the enclosed malls was 93.7% as at January 31, 2006 compared to 96.4% for the same period last year. Occupancy for single user assets remained stable at 100%. The pre-leased space in properties under development is 63.2%. Overall the portfolio, excluding non-consolidated trusts and partnerships and properties under development is 96.2% leased compared to 96.5% for the same period in 2005. These occupancy rates are within management's expectations in view of continuing development in the portfolio and transfers of development properties to income producing status during the quarter.

### *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.

## PLAZACORP RETAIL PROPERTIES LTD.

### 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:

<b>As at March 28, 2006</b>	<b>Shares</b>	<b>Share Capital</b>
Current Outstanding Shares	39,956,604	\$ 27,287,705
Employee and Director Share Options	1,623,334	2,771,784
Series I Convertible Debentures	600,000	600,000
Series II Convertible Debentures	866,667	1,040,000
Series III Convertible Debentures	4,606,875	7,371,000
<b>Total adjusted shares outstanding</b>	<b>47,653,480</b>	<b>\$ 39,070,489</b>

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.

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.

## PLAZACORP RETAIL PROPERTIES LTD.

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	4% of gross rents paid
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

During the three months ended January 31, 2006 and 2005 the following amounts were billed under the contract:

<b>(000's)</b>			
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>
Management fees	\$	<b>348</b>	\$ 322
Leasing fees		<b>210</b>	325
Development fees		<b>102</b>	117
Financing fees		-	43
Acquisition fees		<b>44</b>	-
Disposition fees		-	-
Legal services		<b>20</b>	-
<b>Total</b>	<b>\$</b>	<b>724</b>	<b>\$ 807</b>

### NOTES PAYABLE TO RELATED PARTIES

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

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

<b>(000's)</b>				
<b>As at January 31,</b>	<b>Interest Rate</b>		<b>2006</b>	<b>2005</b>
<b>Interest bearing notes:</b>				
Les Immeubles Plaza Z Corp and related entities controlled by Michael Zakuta, a director of the Company	Prime +1%	\$	<b>882</b>	\$ 939
<b>Non-Interest bearing notes:</b>				
Various companies owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, director of the Company	n/a		<b>383</b>	361
<b>Total</b>		<b>\$</b>	<b>1,265</b>	<b>\$ 1,300</b>

## **PLAZACORP RETAIL PROPERTIES LTD.**

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.

TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer, purchased the land at V8 Plaza, New Glasgow, NS, subject to a ground lease with Plazacorp, and are now the landlord under the lease at an annual payment of \$87,500.

### **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.

### **OTHER**

The company intends to change the year end for Financial Reporting for the fiscal year beginning November 1, 2005 to end on December 31, 2006, changed from October 31, 2006 and reporting on the 14 months ended on December 31, 2006. See notice posted February 24, 2006 on [www.sedar.com](http://www.sedar.com) for further details.

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](http://www.sedar.com) or on the Plazacorp web site at [www.plaza.ca](http://www.plaza.ca).

## Plazacorp Retail Properties Ltd.

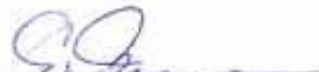
### Consolidated Balance Sheets

As at (000's)	January 31, 2006	October 31, 2005
<b>Assets</b>		
Income producing properties (Note 3)	\$ 159,844	\$ 153,826
Cash and cash equivalents	1,568	989
Receivables (Note 4)	2,645	2,304
Prepaid expenses and deposits	4,466	3,984
Deferred charges (Note 5)	2,766	2,475
Intangible assets (Note 6)	3,600	3,909
Refundable capital gains tax (Note 10)	108	108
Investment in limited partnerships and trusts	2,230	1,905
Goodwill	2,025	2,025
Deficits of subsidiaries	1,054	919
	<b>\$ 180,306</b>	<b>\$ 172,444</b>
<b>Liabilities</b>		
Mortgages payable (Note 7)	\$ 115,602	\$ 109,645
Mortgage bonds payable (Note 8)	12,525	12,525
Debentures payable (Note 9)	15,923	16,734
Notes payable	2,426	2,566
Accounts payable and accrued liabilities	3,171	3,569
Dividends payable	1,196	963
Income taxes payable (Note 10)	228	196
Future income tax liability (Note 10)	7,383	6,438
Below market leases (Note 6)	860	950
	<b>159,314</b>	<b>153,586</b>
<b>Shareholders' Equity</b>		
Equity portion of convertible debt (Note 9)	487	586
Share capital (Note 11)	24,984	22,679
Contributed surplus (Note 12)	35	27
Deficit	(4,514)	(4,434)
	<b>20,992</b>	<b>18,858</b>
	<b>\$ 180,306</b>	<b>\$ 172,444</b>

Contingencies, commitments, guarantees, and indemnities – see consolidated financial statement note 14.  
Subsequent events – see consolidated financial statement note 18.



Michael Zakuta, Director



Earl Brewer, Director

*See accompanying notes to the consolidated financial statements*

## Plazacorp Retail Properties Ltd.

### Consolidated Statements of Deficit For the Three Months Ended January 31, (000's)

	2006	2005
Deficit, beginning of the period	\$ (4,434)	\$ (458)
Net income (loss)	1,116	(23)
Dividends	<u>(1,196)</u>	<u>(919)</u>
Deficit, end of the period	<u>\$ (4,514)</u>	<u>\$ (1,400)</u>

*See accompanying notes to the consolidated financial statements*

## Plazacorp Retail Properties Ltd.

### Consolidated Statements of Income (Loss) For the Three Months Ended January 31, (000's) – Except Per Share Amounts

	2006	2005
Rental revenue	\$ 8,522	\$ 6,550
Operating expenses	<u>3,506</u>	<u>2,702</u>
<b>Net property operating income</b>	<b>5,016</b>	<b>3,848</b>
Investment income	<u>60</u>	<u>232</u>
<b>Income from properties and investments</b>	<b>5,076</b>	<b>4,080</b>
Financing costs	<u>2,564</u>	<u>2,111</u>
<b>Income before undernoted</b>	<b>2,512</b>	<b>1,969</b>
Administrative expenses	<u>186</u>	<u>239</u>
Amortization	<u>1,953</u>	<u>1,443</u>
Capital taxes	<u>162</u>	<u>110</u>
<b>Income before undernoted</b>	<b>211</b>	<b>177</b>
Gain on disposal of income producing properties	<u>1,917</u>	<u>-</u>
<b>Income before income taxes and non-controlling interests</b>	<b>2,128</b>	<b>177</b>
Income tax expense (Note 11) – current	<u>20</u>	<u>38</u>
– future	<u>945</u>	<u>105</u>
	<u>965</u>	<u>143</u>
<b>Income before non-controlling interests</b>	<b>1,163</b>	<b>34</b>
Non-controlling interests	<u>47</u>	<u>57</u>
<b>Net income (loss)</b>	<b>\$ 1,116</b>	<b>\$ (23)</b>
<b>Basic earnings (loss) per share (Note 11)</b>	<b>\$ 0.030</b>	<b>\$ (0.001)</b>
<b>Diluted earnings (loss) per share (Note 11)</b>	<b>\$ 0.028</b>	<b>\$ (0.001)</b>

*See accompanying notes to the consolidated financial statements*

**Plazacorp Retail Properties Ltd.****Consolidated Statements of Cash Flows  
For the Three Months Ended January 31,  
(000's)****2006**                      **2005****Cash obtain from (used for):****Operating activities**

Net income (loss)	\$ 1,116	\$ (23)
Items not affecting cash:		
Amortization (see cash flow supplemental)	2,000	1,442
Gain on disposal of income producing properties	(1,917)	-
Stock option compensation	8	(3)
Interest relating to debenture accretion	27	33
Non-controlling interests	47	57
Future income taxes	945	105
	<u>2,226</u>	<u>1,611</u>
Tenant acquisition costs	(3,665)	(525)
Change in non-cash working capital (see cash flow supplemental)	(585)	(2,803)
	<u>(2,024)</u>	<u>(1,717)</u>

**Financing activities**

Decrease in bank indebtedness	-	(56)
Decrease in notes payable	(140)	(243)
Issue of common shares, pursuant to employee option agreements	-	7
Dividends paid to non-controlling interests	(182)	(124)
Dividends paid to shareholders	(921)	(686)
Proceeds from bonds and debentures	1,326	-
Proceeds from mortgage financing	18,001	19,212
Mortgage repayments at maturity	(11,552)	(9,133)
Mortgage principal repayments	(492)	(386)
	<u>6,040</u>	<u>8,591</u>

**Investing activities**

Acquisitions, developments and re-developments	(4,591)	(6,496)
Net proceeds from disposal of property	2,521	-
Increase in investment in non-consolidated partnerships and trusts	(326)	-
Increase in deposits on properties	(604)	(366)
Increase in deferred charges	(437)	(40)
	<u>(3,437)</u>	<u>(6,902)</u>

**Net increase (decrease) in cash and cash equivalents**

Cash and cash equivalents, beginning of the period	989	1,179
<b>Cash and cash equivalents, end of the period</b>	<u>\$ 1,568</u>	<u>\$ 1,151</u>

*See accompanying notes to the consolidated financial statement*

**Plazacorp Retail Properties Ltd.**  
**Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure**  
**For the Three Months Ended January 31, 2006 and 2005**

**1) Investing in Properties and Equipment**

*a) Cash and Non-Cash Additions*

<b>(000's)</b>		
<b>For the Three Months Ended January 31,</b>		
	<b>2006</b>	2005
Gross additions from property acquisitions, developments, and re-developments	\$ 8,256	\$ 8,340
Less: Assumed mortgages	-	(1,048)
Assumed working capital surplus	-	(271)
Cash additions to income producing properties and intangible assets/liabilities	<u>8,256</u>	7,021
Less: total tenant acquisition costs (operating activity)	<u>(3,665)</u>	(525)
Cash additions from property developments, re-developments	<u>\$ 4,591</u>	<u>\$ 6,496</u>

*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.

<b>(000's)</b>		
<b>For the Three Months Ended January 31,</b>		
	<b>2006</b>	2005
Real estate assets		
Land	\$ -	\$ 300
Building	-	1,084
Tenants acquisition costs	-	144
Net intangible assets	-	79
	<u>-</u>	<u>1,607</u>
Net liabilities		
Net working capital deficiency	-	20
Future income tax liability	-	251
Assumed mortgage	-	1,048
	<u>-</u>	<u>1,319</u>
Net assets acquired, funded from cash	<u>\$ -</u>	<u>\$ 288</u>

**2) Mortgage Financing**

<b>(000's)</b>		
<b>For the Three Months Ended January 31,</b>		
	<b>2006</b>	2005
Gross mortgage proceeds	\$ 18,001	\$ 20,260
Less: assumed mortgages	-	(1,048)
Cash received from new mortgage financing	<u>\$ 18,001</u>	<u>\$ 19,212</u>

**3) Mortgage Repayments**

<b>(000's)</b>		
<b>For the Three Months Ended January 31,</b>		
	<b>2006</b>	2005
Gross mortgage repayments	\$ 12,044	\$ 9,519
Less: mortgages paid out	(11,552)	(9,133)
Regular mortgage principal repayments	<u>\$ 492</u>	<u>\$ 386</u>

**Plazacorp Retail Properties Ltd.**  
**Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure**  
**For the Three Months Ended January 31, 2006 and 2005**

**4) Dividends**

<b>(000's)</b>			
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>
Dividends declared during the period		\$ 1,196	\$ 919
Adjustment for accrued dividends		(233)	(193)
Dividends paid		963	726
Dividend re-investment through share subscriptions		(42)	(40)
Dividends paid in cash		\$ 921	\$ 686

**5) Debentures Converted to Share Capital**

<b>(000's)</b>			
<b>(except per share amounts)</b>			
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>
Series I debentures converted to share capital	Face value	\$ 100	\$ 1,800
	Conversion rate	\$ 1.00	\$ 1.00
	Shares issued	100	1,800
Series II debentures converted to share capital	Face value	\$ 650	\$ 1,050
	Conversion rate	\$ 1.20	\$ 1.20
	Shares issued	542	875
Series II debentures converted to share capital	Face value	\$ 1,479	\$ -
	Conversion rate	\$ 1.60	\$ 1.60
	Shares issued	924	-
Total debentures converted to share capital		\$ 2,229	\$ 2,850
Total shares issued		1,566	2,675

**6) Amortizations**

<b>(000's)</b>			
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>
Amortization of income producing properties		\$ 706	\$ 570
Amortization of tenant acquisition costs		929	713
Amortization of intangible assets (except above/below market tenant leases)		287	112
Amortization of other deferred charges		31	48
Amortization expense per the Statement of (Loss) Income		1,953	1,443
Amortization of deferred financing charges (included with financing costs)		94	59
Amortization of above/below market tenant leases (included with revenue)		(68)	(60)
Amortization of deferred recoverable expenses (included with operating expenses)		21	-
Total amortizations charged to income		\$ 2,000	\$ 1,442

**7) Interest**

<b>(000's)</b>			
<b>For the Three Months Ended January 31,</b>		<b>2006</b>	<b>2005</b>
Cash interest paid		\$ 2,636	\$ 2,348

**Plazacorp Retail Properties Ltd.**  
**Consolidated Statement of Cash Flows – Supplemental Cash Flow Disclosure**  
**For the Three Months Ended January 31, 2006 and 2005**

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**8) Income and Capital Taxes**

(000's)		
For the Three Months Ended January 31,	2006	2005
Cash income and capital tax paid	\$ 139	\$ 468

**9) Changes in Non-Cash Working Capital**

(000's)		
For the Three Months Ended January 31,	2006	2005
Receivables	\$ (340)	\$ 534
Prepaid expenses	122	455
Accounts payable and accrued liabilities	(399)	(3,463)
Income taxes payable	32	(329)
Total cash from change in non-cash working capital	\$ (585)	\$ (2,803)

**10) Gain on Sale of Income Producing Properties**

In the period the Company disposed of land, surplus to the development of income producing properties in Miramichi and Oromocto for proceeds of \$2,521 thousand resulting in a gain on disposal of \$1,917 thousand.

**Plazacorp Retail Properties Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the Periods Ended January 31, 2006 and October 31, 2005**

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**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) Interim Financial Statements*

The interim financial statements follow the same accounting policies and methods of their application as the October 31, 2005 annual audited financial statements.

In the opinion of the Company the accompanying consolidated financial statements contain all the adjustments necessary to present fairly the financial position as of January 31, 2006, and October 31, 2005, and the results of operations for the three months ended January 31, 2006 and 2005 and the changes in cash flows for the three months ended January 31, 2006 and 2005. While the Company believes that disclosures presented are adequate to make the information not misleading, it is suggested that these financial statements be read in conjunction with the audited financial statements and notes included in the Company's Annual Report for the year ended October 31, 2005.

The results of operations for the three months ended January 31, 2006 are not necessarily indicative of the results for the full year and are influenced by seasonal cost variances on properties with fixed common cost recovery formulas. The term "period" or "in the period" when used herein means the three month period then ended.

*b) 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.

	<b>Ownership Interest</b>	
	<b>January 31, 2006</b>	October 31, 2005
<b><u>Accounting Method – Consolidation</u></b>		
Exhibition Plaza Inc. <sup>(1)</sup>	<b>55%</b>	55%
MDO Commercial Trust	<b>100%</b>	100%
Centre Commercial Plaza Theriault Inc.	<b>100%</b>	100%
Spring Park Plaza Inc.	<b>85%</b>	85%
Granville Street Properties Limited Partnership	<b>60%</b>	60%
Wildan Properties Limited Partnership	<b>60%</b>	60%
Tacoma Plaza Limited Partnership	<b>100%</b>	100%
Commercial Street Plaza Trust	<b>100%</b>	100%
Plazacorp Real Estate Investment Trust	<b>100%</b>	100%
Plazacorp Retail Limited Partnership #1	<b>100%</b>	100%
Plazacorp Master Limited Partnership	<b>100%</b>	100%
Plaza LPC Commercial Trust	<b>100%</b>	100%

**Plazacorp Retail Properties Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the Periods Ended January 31, 2006 and October 31, 2005**

	Ownership Interest	
	January 31, 2006	October 31, 2005
<b><u>Accounting Method – Proportionate Consolidation</u></b>		
Les Galeries Montmagny, PQ	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%	50%
<b><u>Accounting Method – Equity</u></b>		
Centennial Plaza Limited Partnership	10%	10%
MDO Limited Partnership	20%	20%
Trois Riviere Limited Partnership	15%	15%
<b><u>Accounting Method – Cost</u></b>		
Northwest Plaza Commercial Trust	10%	10%

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

c) *Financial instruments*

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 January 31, 2006 the fair value of the Company's long-term debt exceeds the recorded value by \$3.9 million (fair value exceeded recorded value by \$5.6 million at October 31, 2005).

The Company's fair value of the exposure from mortgage guarantees is not readily determinable (Note 16c).

**3. Income Producing Properties**

(000's)	January 31, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 27,244	\$ -	\$ 27,244	\$ 24,155	\$ -	\$ 24,155
Buildings	118,890	(11,509)	107,381	118,078	(10,865)	107,213
Tenant acquisition costs	33,064	(9,972)	23,092	29,610	(9,254)	20,356
Furnishings and equipment	691	(337)	354	636	(319)	317
Parking lot	2,662	(889)	1,773	2,660	(875)	1,785
<b>Total</b>	<b>\$ 182,551</b>	<b>\$ (22,707)</b>	<b>\$ 159,844</b>	<b>\$ 175,139</b>	<b>\$ (21,313)</b>	<b>\$ 153,826</b>

**Plazacorp Retail Properties Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the Periods Ended January 31, 2006 and October 31, 2005**

Included in income producing properties is \$5.5 million relating to properties under development (October 31, 2005 - \$13.3 million).

During the period the Company capitalized \$91 thousand of interest and nil of operational losses from properties under development to the cost of land or buildings (for the year ended October 31, 2005 – \$845 thousand and \$112 thousand respectively).

**4. Receivables**

Receivables consist of the following:

(000's)	2006	2005
<b>As at January 31, 2006 and October 31, 2005</b>		
Tenant accounts receivables	\$ 357	\$ 211
Straight-line rent receivable	1,612	1,434
Other	676	659
	<b>\$ 2,645</b>	<b>\$ 2,304</b>

**5. Deferred Charges**

Deferred charges consist of the following:

(000's)	January 31, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Deferred finance charges	\$ 3,379	\$ (1,228)	\$ 2,151	\$ 3,170	\$ (1,124)	\$ 2,046
Other deferred charges	898	(283)	615	672	(243)	429
Total deferred charges	<b>\$ 4,277</b>	<b>\$ (1,511)</b>	<b>\$ 2,766</b>	<b>\$ 3,842</b>	<b>\$ (1,367)</b>	<b>\$ 2,475</b>

Included with financing costs is \$94 thousand (2005 - \$402 thousand) of amortization expense relating to deferred finance charges. Included with amortization is \$31 thousand (2005 – \$100 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)	January 31, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Above market leases	\$ 257	\$ (59)	\$ 198	\$ 277	\$ (59)	\$ 218
Value of in place leases	2,258	(601)	1,657	2,548	(662)	1,886
Tenant relationships	1,916	(171)	1,745	1,916	(111)	1,805
Total intangible assets	<b>\$ 4,431</b>	<b>\$ (831)</b>	<b>\$ 3,600</b>	<b>\$ 4,741</b>	<b>\$ (832)</b>	<b>\$ 3,909</b>

**Plazacorp Retail Properties Ltd.**  
**Notes to the Consolidated Financial Statements**  
**For the Periods Ended January 31, 2006 and October 31, 2005**

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)	January 31, 2006			October 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Below market leases	\$ 1,256	\$ (396)	\$ 860	\$ 1,380	\$ (430)	\$ 950

**7. Mortgages Payable**

(000's)	Average Rate	Maturity Dates	January 31, 2006	October 31, 2005
Fixed rate loans	6.57%	Up to Apr 2020	\$ 104,048	\$ 87,501
Other fixed rate loans	9.57%	Dec 2009	6,085	6,085
Variable rate loans – regular	Prime plus 0.75%	Oct 2006	1,011	1,020
Variable rate loan – construction line of credit	Prime plus 0.625%	Apr 2007	4,458	15,039
			\$ 115,602	\$ 109,645

**8. Mortgage Bonds Payable**

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

(000's)	January 31, 2006			October 31, 2005
	Series I	Series II	Total	
<u>Mortgage Bonds</u>				
Champlain Plaza, Dieppe, NB, 2 <sup>nd</sup> Mortgage	\$ -	\$ -	\$ -	\$ 952
Starrs Road Plaza, Yarmouth, NS, 1 <sup>st</sup> & 2 <sup>nd</sup> Mortgage	2,525	1,675	4,200	3,153
Madawaska Road Plaza, Grand Falls, NB, 2 <sup>nd</sup> Mortgage	-	454	454	454
UAS Plaza, PE, 1 <sup>st</sup> Mortgage	-	1,737	1,737	-
Main Place, Fredericton, NB, 2 <sup>nd</sup> Mortgage	-	667	667	667
912 East River Plaza, New Glasgow, NS, 2 <sup>nd</sup> Mortgage	-	-	-	245
315 Main Street Plaza, Antigonish, NS, 2 <sup>nd</sup> Mortgage	-	-	-	1,178
MBD Plaza, Saint John, NB, 2 <sup>nd</sup> Mortgage	-	1,626	1,626	1,626
Pleasant Street Plaza, Yarmouth, NS, 2 <sup>nd</sup> Mortgage	-	2,330	2,330	1,906
Miramichi Power Center-Phase 1, Miramichi, NB, 2 <sup>nd</sup> Mortgage	-	-	-	1,392
St. Peters Street, Bathurst, NB, 1 <sup>st</sup> Mortgage	-	824	824	824
Crown Street, Saint John, 1 <sup>st</sup> Mortgage	-	98	98	98
Miramichi Power Center-Phase 2, Miramichi, NB, 1 <sup>st</sup> Mortgage	-	589	589	30
<u>Mortgage bonds outstanding</u>	\$ 2,525	\$ 10,000	\$ 12,525	\$ 12,525

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**  
**For the Periods Ended January 31, 2006 and October 31, 2005**

**9. Debentures Payable**

Debentures payable consist of the following:

		January 31, 2006			October 31, 2005	
(000's)						
Debentures	Maturity Date	Interest Rate	Debt Component Outstanding	Value of Option to Convert	Debt Component Outstanding	Value of Option to Convert
Convertible						
Series 1	April 30, 2008	9.5%	\$ 707	\$ 30	\$ 803	\$ 34
Series 2	October 31, 2008	9.5%	2,119	90	2,748	116
Series 3	April 30, 2009	8.5%	7,938	367	9,350	436
Total convertible debentures			10,764	487	12,901	586
Non convertible subordinate						
Series 4	July 31, 2010	8.0%	5,159	-	3,833	-
Total			\$ 15,923	\$ 487	\$ 16,734	\$ 586

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, January 31, 2006 (000's)	\$720	\$2,170	\$8,171

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.

**10. Income Taxes**

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 January 31, 2006 (October 31, 2005 - \$108 thousand).

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**11. 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)	January 31, 2006		October 31, 2005	
	Shares	Amounts	Shares	Amounts
Common shares outstanding, beginning of the period	36,684	\$ 22,679	32,288	\$ 17,685
Issuance of common shares:				
Shares issued through exercise of options	-	-	87	76
Shares issued through dividend re-investment plan	21	42	110	205
Shares issued through debt conversion	1,566	2,263	4,199	4,713
Common shares outstanding, end of the period	38,271	\$ 24,984	36,684	\$ 22,679

As at January 31, 2006, 2.6 million shares (October 31, 2005 - \$3.1 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 January 31, 2006, shareholders were issued 21 thousand shares at a weighted average price of \$2.01 per share (for the year ended October 31, 2005 - \$110 thousand shares at a weighted average of \$1.86 per share).

*c) Earnings per Share*

Basic earnings per share are calculated based on the weighted average number of shares outstanding for the period. Diluted earnings per share consider the potential exercise of outstanding stock options, as well as the potential conversion of convertible debentures that have a negative impact to earnings per share. Stock options or convertible debentures that do not reduce earnings per share are anti-dilutive, and are excluded from the dilution per share calculation.

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

(000's)	2006	2005
<b>For the Three Months Ended January 31,</b>		
Weighted average number of shares	37,172	33,588
Effect of dilutive stock options	429	62
Effect of dilutive debenture conversions	7,635	-
Weighted average number of diluted shares	45,236	33,650
Net income (loss), net of income tax	\$ 1,169	\$ (23)
Diluted net income (loss), net of income tax	\$ 1,320	\$ (23)

**12. 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 equally in January 2006, January 2007, and January 2008.

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

(000's)	Directors Options		Employees Options	
	2006	2005	2006	2005
<b>For the Three Months Ended January 31, 2006 and the Year Ended October 31, 2005</b>				
Options outstanding, start of the period	255	-	1,391	144
Options granted	-	255	-	1,360
Options expired	-	-	-	(25)
Options exercised	-	-	-	(88)
Options outstanding, end of the period	255	255	1,391	1,391

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	528
Series III	\$1.85	30	April 15, 2010	10

The Company recorded \$8 thousand in compensation expense related to stock options for the three months ended January 31, 2006 (year ended October 31, 2005 – \$20 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, 2005 - \$4 thousand). The amount of compensation expensed in the current period for Series III options not exercised at the end of the period is \$31 thousand (October 31, 2005 - \$23 thousand). The cumulative amount of \$35 thousand (October 31, 2005 - \$27 thousand) is accounted for as Contributed Surplus.

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

	Series II	Series III
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%

**13. 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.

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

Property Management	4% of gross rents paid.
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 Three Months Ended January 31,	
Fee Category	Included for Reporting Purposes In	2006	2005
Management fees	Property operating expenses	\$ 348	\$ 322
Leasing fees	Tenant acquisition costs	210	325
Development fees	Income producing properties	102	117
Financing fees	Deferred charges	-	43
Acquisition fees	Income producing properties	44	-
Disposition fees	Gain or loss on sale of property	-	-
Legal services	Property acquisition cost and general administrative	20	-
Total fees billed by the Property Manager		\$ 724	\$ 807

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	As at	
	January 31, 2006	October 31, 2005
Richard Hamm, Director	\$ 525	\$ 775
Michael Zakuta, Director	875	1,749
Edouard Babineau, Director	800	700
Willard L'Heureux, Director	200	650
Earl Brewer, Director	520	820
Stephen Johnson, Director	1,125	1,125
Barbara Trenholm, Director	100	100
Total related party mortgage bonds and debentures held	\$ 4,145	\$ 5,919

For the three months ended January 31 2006, Series II debentures were converted by Directors of the Company or companies owned and controlled by Directors, William L'Heureux (\$200 thousand), Richard Hamm (\$250 thousand) resulting in the issuance of 375 thousand shares.

For the three months ended January 31, 2006, Series III debentures were converted by Directors of the Company, or companies owned and controlled by Directors, Michael Zakuta (\$874 thousand), Earl Brewer (\$300 thousand), and William L'Heureux (\$250 thousand) resulting in the issuance of 890 thousand shares.

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TC Land REIT, an entity controlled by Michael Zakuta and Earl Brewer purchased the land underlying V8 Plaza, New Glasgow, NS subject to a ground lease to Plazacorp, and is now the lessor under the lease at an annual rent of \$87 thousand.

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

As at January 31, 2006 \$882 thousand (October 31, 2005 - \$939 thousand) in interest bearing and \$383 thousand (October 31, 2005 - \$482 thousand) in non-interest bearing amounts were owed to Les Immeuble Plaza Z Corp Inc., a company controlled by Michael Zakuta, a director of the Company.

**14. 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 January 31, 2006, \$450 (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)							
Contractual Obligations	2007	2008	2009	2010	2011	After 5 Years	Total
Mortgages	\$ 10,202	\$ 2,411	\$ 10,430	\$ 10,314	\$ 5,240	\$ 77,005	\$ 115,602
Bonds and debentures	-	-	5,416	8,170	15,159	-	28,745
Operating land leases <sup>(1)</sup>	1,401	1,407	1,423	1,458	1,471	24,945	32,105
Development activities	9,453	-	-	-	-	-	9,453
Other long-term obligations	450	-	-	-	-	-	450
<b>Total contractual obligations</b>	<b>\$ 21,506</b>	<b>\$ 3,818</b>	<b>\$ 17,269</b>	<b>\$ 19,942</b>	<b>\$ 21,870</b>	<b>\$ 101,950</b>	<b>\$ 186,355</b>

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

*c) Guarantees and Indemnities*

The Company continues to guarantee certain debt assumed by purchasers in connection with historical dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. The Company has recourse under these guarantees in the event of default by the purchaser, in which case the Company would have a claim against the underlying property. The estimated amount of the debt subject to such guarantees at January 31, 2006 is \$8.3 million (October 31, 2005 - \$8.3 million) with an estimated weighted average remaining term of 6.9 years (October 31, 2005 - 6.9 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 \$3.6 million. Plazacorp indemnifies its co-venturer in respect of the cross default provisions through the co-ownership agreements governing Lansdowne Place, Staples Plaza Dartmouth and Les Promenades St. Francois including cross-default provisions in support of this indemnity.

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The Company is contingently liable for certain obligations of a co-venturer. The guarantee provided to the mortgagee of Staples-Granby, is subject to a cross-guarantee provided by the other 50% co-owner for the full amount of the loan. As at January 31, 2006 the total exposure on this cross-guarantee is \$827 thousand (October 31, 2005 - \$834 thousand).

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

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

### **15. 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.

### **16. 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 \$1.4 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.

### **17. Comparative Figures**

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

### **18. Subsequent Events**

Between January 31, 2006 and March 28, 2006 the following material activities have taken place:

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*Debentures*

- 1) \$120,000 of Series I convertible debentures were converted to shares and 120,000 shares were issued;
- 2) \$1,130,000 of Series II convertible debentures were converted to shares and 941,667 shares were issued; and,
- 3) \$800,000 of Series III convertible debentures were converted to shares and 500,000 shares were issued.

*Acquisition and sales*

The Company purchased \$4.6 million of land and property for future development, including a \$2.0 million investment through a partnership in the acquisition of The Village Mall, St. John's, Newfoundland.

**19. Involvement of Company's Auditors**

The Company's auditors have not reviewed these interim consolidated financial statements.