Financial Statements

Gulf & Pacific Equities Corp.

For the Years Ended December 31, 2011 and 2010
(Stated in Canadian Dollars)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements were prepared by the management of Gulf & Pacific Equities Corp., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with International Financial Reporting Standards. Management has included amounts in the Company's financial statements based on estimates, judgements, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

(Signed) "Anthony J. Cohen"
President and CEO

(Signed) "Greg K.W. Wong"
CFO

Toronto, Ontario
April 30, 2012

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Gulf & Pacific Equities Corp.

We have audited the accompanying financial statements of Gulf & Pacific Equities Corp. which comprise the statements of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010 and the statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gulf & Pacific Equities Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

April 30, 2012
Toronto, Ontario

Gulf & Pacific Equities Corp.

Statements of Financial Position
As at December 31
(Stated in Canadian Dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
		(note 3)	(note 3)
Assets			
Cash	$ 946,753	$ 64,382	$ 38,444
Debenture proceeds receivable (note 8(iii))	-	-	720,000
Other amounts receivable (note 6)	1,073,209	91,925	41,030
Prepaid expenses (note 5)	78,654	370,288	277,770
Investment properties (note 4)	28,090,000	37,740,000	36,140,000
	$ 30,188,616	$ 38,266,595	$ 37,217,244
Liabilities			
Mortgages payable (note 7)	$ 14,343,817	$ 21,989,956	$ 22,549,628
Convertible debentures (note 8)	3,367,975	2,343,706	2,117,384
Purchase price payable (note 9)	658,776	658,776	658,776
Loans payable (note 10)	-	1,380,000	1,173,268
Deferred income taxes (note 14)	1,175,000	1,183,000	1,053,000
Accounts payable and accrued liabilities	520,274	1,039,301	1,028,806
	20,065,842	28,594,739	28,580,862
Commitments (note 11)			
Subsequent Events (note 20)			
Shareholders' Equity			
Share Capital (note 12)	2,835,212	2,816,462	2,816,462
Equity Component of Convertible Debentures (note 8)	1,131,712	883,995	883,995
Contributed Surplus (note 13)	2,418,796	2,380,299	2,350,576
Retained Earnings	3,737,054	3,591,100	2,585,349
	10,122,774	9,671,856	8,636,382
	$ 30,188,616	$ 38,266,595	$ 37,217,244

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board

(Signed) "Anthony J. Cohen", Director

(Signed) "Greg K.W. Wong", Director

Gulf & Pacific Equities Corp.

Statements of Comprehensive Income
For the Years Ended December 31
(Stated in Canadian Dollars)

	2011	2010 (note 3)
Revenue		
Rental	$ 2,540,025	$ 2,785,478
Common area and realty tax recoveries	948,221	1,041,813
Interest and other	7,629	1,830
	3,495,875	3,829,121
Expenses		
Interest	2,048,617	1,947,650
Operating costs and realty taxes	1,564,514	1,432,836
Administration	749,107	648,633
Share-based compensation (note 12)	38,497	29,723
	4,400,735	4,058,842
Net loss before fair value adjustment, property sale expenditures and income taxes	(904,860)	(229,721)
Fair value adjustment (note 4)	1,354,118	1,365,472
Property sale expenditures	(393,304)	-
Net Income before income taxes	55,954	1,135,751
Deferred income tax recoveries (expense)	90,000	(130,000)
Net Income and Comprehensive Income	$ 145,954	$ 1,005,751
Earnings per Share - Basic and Diluted (note 2(i))	$ 0.02	$ 0.11
Weighted Average Number of Common Shares Outstanding - Basic and Diluted (note 2(i))	8,866,815	8,861,678

The accompanying notes form an integral part of these financial statements.

Gulf & Pacific Equities Corp.

Statement of Changes in Shareholders' Equity
For the year ended December 31, 2011 and December 31, 2010
(Stated in Canadian Dollars)

	Share Capital		Equity Component of Convertible	Contributed	Retained	
	Shares	Amount	Debentures	Surplus	Earnings	Total
Balance - January 1, 2010 (note 3)	8,861,678	$ 2,816,462	$ 883,995	$ 2,350,576	$ 2,585,349	$ 8,636,382
Share based compensation (note 12)	-	-	-	29,723	-	29,723
Net income	-	-	-	-	1,005,751	1,005,751
Balance - December 31, 2010 (note 3)	8,861,678	$ 2,816,462	$ 883,995	$ 2,380,299	$ 3,591,100	$ 9,671,856

	Share Capital		Equity Component of Convertible	Contributed	Retained	
	Shares	Amount	Debentures	Surplus	Earnings	Total
Balance -December 31, 2010 (note 3)	8,861,678	$ 2,816,462	$ 883,995	$ 2,380,299	$ 3,591,100	$ 9,671,856
Issue of convertible debentures	-	-	329,717	-	-	329,717
Issue of common shares	75,000	18,750	-	-	-	18,750
Share based compensation (note 12)	-	-	-	38,497	-	38,497
Convertible debentures deferred tax change	-	-	(82,000)	-		(82,000)
Net income	-	-	-	-	145,954	145,954
Balance - December 31, 2011	8,936,678	$ 2,835,212	$ 1,131,712	$ 2,418,796	$ 3,737,054	$ 10,122,774

The accompanying notes form an integral part of these financial statements.

Gulf & Pacific Equities Corp.

Statements of Cash Flow
For the Years Ended December 31
(Stated in Canadian Dollars)

	2011	2010
		(note 3)
Cash Provided By (Used In):		
Operating Activities		
Net income	$ 145,954	$ 1,005,751
Add (deduct) items not affecting cash:		
Accretion of discount on convertible debentures	295,214	239,729
Amortization of deferred financing costs	164,146	107,189
Deferred income taxes	(90,000)	130,000
Accrued rent receivable	128,453	(45,404)
Interest expense	1,589,256	1,600,732
Property sale expenditures	393,304	-
Fair value adjustment	(1,354,118)	(1,365,472)
Initial direct leasing costs	(124,335)	-
Share-based compensation (note 12)	38,497	29,723
	1,186,371	1,702,248
Changes in non-cash balances related to operations:		
Prepaid expenses	51,634	(92,518)
Accounts receivable	18,716	(50,895)
Accounts payable and accrued liabilities	(498,427)	81,270
	758,294	1,640,105
Financing Activities		
Repayment of mortgages payable	(643,595)	(622,747)
Receipt of mortgage deposit	240,000	-
Loans payable	-	265,000
Repayment of loans payable	(300,000)	(173,268)
Interest paid	(1,609,856)	(1,556,507)
Financing costs paid	(9,929)	(37,521)
Convertible debentures issued	-	720,000
Convertible debentures redeemed	(50,000)	(20,000)
	(2,373,380)	(1,425,043)
Investing Activities		
Sale of investment properties	2,497,457	-
Additions to investment properties	-	(189,124)
	2,497,457	(189,124)
Increase in Cash	882,371	25,938
Cash - beginning of year	64,382	38,444
Cash - end of year	$ 946,753	$ 64,382

The accompanying notes form an integral part of these financial statements.

Gulf & Pacific Equities Corp. (“the Company”) was incorporated under the Business Corporations Act (Alberta) on April 8, 1998 and on June 17, 1998 filed Articles of Amendment to remove certain private corporation restrictions. The primary offices are located at 1300 Bay Street, Suite 300, Toronto, Ontario M5R 3K8. The Company is listed on the TSX Venture Exchange as “TSX-V: GUF”. The Company commenced active operations during the 1999 fiscal year. The Company owns and operates commercial rental properties in Western Canada.

These financial statements were authorized for issuance by the Board of Directors on April 26, 2012.

1. Basis of Presentation

In 2010 the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effectively for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

a) Statement of Compliance

These financial statements represent the first annual financial statements of the Company prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as discussed in Note 3.

The significant accounting policies (note 2) have been applied consistently to all periods presented and in preparing the opening statement of financial position at January 1, 2010 (the "Transition Date") (note 3) for the purposes of transitioning to IFRS.

b) Basis of Measurement

The Company's financial statements have been prepared on the historical cost basis except for investment properties and cash which have been measured at fair value.

c) Functional and Presentation Currency

The Company's functional currency is Canadian Dollars and the financial statements are presented in Canadian Dollars.

d) Critical judgments, accounting estimates and assumptions

The Company makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ. The estimates and assumptions that the Company considered critical are described below.

1. Basis of Presentation (continued)

d) Critical judgments, accounting estimates and assumptions (continued)

i) Investment properties

The fair value of the investment properties is determined based on either internal valuation models incorporating market evidence and valuations performed by independent third party appraisers. The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as tenant profiles, future revenue streams and overall repair and condition of the property) and discount rates applicable to those cash flows. These estimates are based on market conditions existing at the reporting date. The following approaches, either individually or in combination, are used in the determination of the fair value of the investment properties:

The Direct Capitalization Income Approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal (when obtained) and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an external appraisal is not obtained at the reporting date, management prepares internal valuations, for each investment property, to estimate the fair value.

Judgment is also applied in determining the extent and frequency of independent appraisals in order to determine fair values. The significant assumptions used by management in estimating the fair value of investment properties are set out in Note 4.

In addition, the Company makes judgments with respect to whether tenant improvement expenditures represent an asset with a future economic benefit to the Company which impacts whether or not such amounts are treated as additions to the investment properties.

ii) Leases

The Company makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property, are operating or finance leases. The Company has determined that all of its leases are operating leases.

1. Basis of Presentation (continued)

d) Critical judgments, accounting estimates and assumptions (continued)

Additional critical accounting estimates and assumptions include those used for estimating deferred taxes and purchase price payable, assessing the allowance for doubtful accounts on trade receivables, estimating the fair value of stock-based compensation and determining the values of financial instruments for disclosure purposes.

2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statements of financial position at January 1, 2010 for the purpose of transitioning to IFRS, unless otherwise indicated.

a) Fair value of investment property

Significant portions of the Company's operating assets are considered investment properties under IAS 40, Investment Property ("IAS 40"). Investment property includes land and buildings held primarily to earn rental income or for capital appreciation or both, rather than for use in the production or supply of goods or for sale in the ordinary course of business. The Company's revenue producing properties are classified as investment properties. Investment properties are initially measured at cost including transaction costs under IAS 40. However, subsequent to initial recognition, investment properties are recorded at fair value, which reflects current market conditions, at each financial position statement date. Gains and losses from changes in fair values are recorded in net income in the period in which they arise.

Leasing costs and lease incentives, which include costs incurred to make leasehold improvements to tenants' space, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

b) Deferred financing and leasing costs

Financing fees incurred in connection with long-term debt financing are included with the related debt and are amortized using the effective interest rate basis. Leasing costs are capitalized as part of the investment property.

2 Summary of Significant Accounting Policies (continued)

c) Financial instruments

IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") requires classification of financial instruments into one of the following categories: financial assets and liabilities at fair value through profit and loss, held-to-maturity investments, loans and receivables, available-for-sale securities, and other financial liabilities. The Company determines the classification of its financial assets and liabilities at initial recognition.

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent on the classification of each financial instrument. Financial assets at fair value through profit or loss include cash which is measured at fair value and all gains and losses are included in net loss in the period in which they arise. Other amounts receivable, debenture proceeds receivable and accrued rent receivable are recorded at amortized cost. The Company has no financial assets classified as available-for-sale or as held-to-maturity. Other financial liabilities at amortized cost include accounts payable and accrued liabilities, mortgages payable, convertible debentures, purchase price payable and loans payable.

Financial instruments with substantive characteristics of both a financial liability and equity instrument are accounted for using the split accounting method to provide separate classification of the liability and equity elements, using the residual method with debt component recognized at fair value and residual allocated to the conversion feature, classified as equity. The initial liability balance recognized is less than the cash required to be repaid at maturity. Therefore, the liability balance is accreted over the term of the debt. The accretion represents the amortization of the debt discount net of actual interest paid. The accretion of the original debt discount is charged to interest expense over the term of the debt using the effective interest rate method.

Long-term debt is initially recognized at fair value less directly attributable transactions costs. After initial recognition, long-term debt is subsequently measured at amortized cost using the effective interest rate method.

Impairment

The Company assesses at each balance sheet date whether there is objective evidence that financial assets other than those designated as "fair value through the statement of income" are impaired. When impairment has incurred, the cumulative loss is recognized in the statement of income. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate. When available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of income in the year. Impairment losses may be reversed in subsequent years.

2. Summary of Significant Accounting Policies (continued)

c) Financial instruments (continued)

The Company's financial assets and liabilities recorded at fair value on the statement of financial position have been categorized into three categories based on a fair value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (ie. as prices) or indirectly (ie. derived from prices);

Level 3 - valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

d) Share-based payments

Share-based compensation granted to directors, officers and employees is measured at the fair value of the grants on the grant date. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using an accepted option pricing model. IFRS requires an initial estimate of the number of equity settled instruments that are expected to vest based on expected forfeitures, and subsequently adjustments are made to the estimate to reflect the actual number of equity settled instruments that vest, unless forfeitures are due to market based vesting conditions. Compensation expense is recognized over the tranche’s vesting period, based on the number of awards expected to vest, by increasing contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The fair value of options granted to consultants is determined using fair value of the goods or services received. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the Company cannot be reliably measured, they are measured at fair value of the equity instruments issued. The resulting value is charged to operations over the service period. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion previously recorded in contributed surplus.

2. Summary of Significant Accounting Policies (continued)

e) Issue costs

The Company accounts for costs related to issuing equity as a charge against share capital in the period incurred.

f) Revenue recognition

The Company has retained substantially all of the risks and benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases.

The Company uses the straight-line method of recognizing rental revenue whereby the total amount of rental revenue to be received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the rental revenue recognized and the amount contractually due under the lease agreements is charged to accrued rent receivable.

Common area and realty tax recoveries are taken into income monthly based on estimated recoveries for the year and reconciled to actual on an annual basis. Interest and other income is recognized on an accrual basis.

A property is regarded as sold and the gain or loss on sale is recognized when the significant risks and returns have been transferred to the buyer, which is normally upon closing on unconditional contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

g) Income taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are determined based on temporary differences (differences between the accounting basis and the tax basis of the assets and liabilities) and tax loss carryforwards, and are measured using the enacted or substantively enacted tax rates and laws expected to apply when these differences reverse. Income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Income tax expense or benefit is the sum of the Company's provision for current income taxes and the difference between the beginning and ending balances of the deferred income tax assets and liabilities. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

2. Summary of Significant Accounting Policies (continued)

h) Statement of cash flows

The Company has adopted the indirect method of reporting cash flows, under which the net cash flow from operations is reported by adjusting net earnings for the effects of non-cash items and net changes in non-cash balances related to operations.

In accordance with IAS 7, Statement of Cash Flows, interest expense is reflected as a financing activity.

i) Income (Loss) per share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the weighted average number of shares that would be issued on the conversion of all potentially dilutive options and warrants into common shares.

If the number of shares increases or decreases as a result of capitalization, bonus issue, share splits of share consolidation, earnings per share is accounted for retrospectively. If these transactions occur after the reporting period but prior to the issuance of the financial statements, loss per share is calculated based on the new number of shares.

j) Related party transactions

All transactions with related parties are in the normal course of business and are measured at the amount agreed to by the parties involved in the transactions.

2. Summary of Significant Accounting Policies (continued)

k) Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

l) Future accounting changes

IFRS 9 (Financial Instruments: Classification and Measurement), effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2015 and has not yet determined the potential impact on the Company's financial statements.

In May 2011, the IASB issued IFRS 13, Fair Value Measurements ("IFRS 13"). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, and the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The company has not determined the impact of IFRS 13 on its financial statements.

IAS 12, income taxes, amendments applicable to the measurement of deferred tax assets and liabilities where investment property is measured using the fair value model, effective for annual periods beginning on or after January 1, 2012 with earlier application permitted.

3. Transition to IFRS

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
Assets				
Investment properties	$ 27,611,030	$ 8,528,970	(a,c)	$ 36,140,000
Cash	38,444	-		38,444
Intangible assets	388,427	(388,427)	(a)	-
Prepaid expenses	318,945	(41,175)	(a)	277,770
Debenture proceeds receivable	720,000	-		720,000
Accounts receivable	41,030	-		41,030
Accrued rent receivable	325,213	(325,213)	(a)	-
	$ 29,443,089	$ 7,774,155		$ 37,217,244
Liabilities				
Mortgages payable	$ 22,549,628	$ -		$ 22,549,628
Convertible debentures	2,117,384	-		2,117,384
Purchase price payable	658,776	-		658,776
Loans payable	1,173,268	-		1,173,268
Deferred income tax payable	-	1,053,000	(b)	1,053,000
Intangible liabilities	451,002	(451,002)	(a)	-
Accounts payable and accrued liabilities	1,028,806	-		1,028,806
	27,978,864	601,998		28,580,862
Shareholders' Equity				
Share Capital	2,816,462	-		2,816,462
Equity Component of Convertible Debentures	1,273,995	(390,000)	(b)	883,995
Contributed Surplus	2,350,576	-		2,350,576
Retained Earnings (Deficit)	(4,976,808)	7,562,157	(a,b,c)	2,585,349
	1,464,225	7,172,157		8,636,382
	$ 29,443,089	$ 7,774,155		$ 37,217,244

3. Transition to IFRS (continued)

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
Assets				
Investment properties	$ 27,256,885	$ 10,483,115	(a,c)	$ 37,740,000
Cash	64,382	-		64,382
Intangible assets	248,128	(248,128)	(a)	-
Prepaid expenses	407,753	(37,465)	(a)	370,288
Accounts receivable	91,925	-		91,925
Accrued rent receivable	370,617	(370,617)	(a)	-
	$ 28,439,690	$ 9,826,905		$ 38,266,595
Liabilities				
Mortgages payable	$ 21,989,956	$ -		$ 21,989,956
Convertible debentures	2,343,706	-		2,343,706
Purchase price payable	658,776	-		658,776
Loans payable	1,380,000	-		1,380,000
Deferred income taxes payable	-	1,183,000	(b)	1,183,000
Intangible liabilities	312,186	(312,186)	(a)	-
Accounts payable and accrued liabilities	1,039,301	-		1,039,301
	27,723,925	870,814		28,594,739
Shareholders' Equity				
Share Capital	2,816,462	-		2,816,462
Equity Component of Convertible Debentures	1,273,995	(390,000)	(b)	883,995
Contributed Surplus	2,380,299	-		2,380,299
Retained Earnings (Deficit)	(5,754,991)	9,346,091	(a,b,c)	3,591,100
	715,765	8,956,091		9,671,856
	$ 28,439,690	$ 9,826,905		$ 38,266,595

3. Transition to IFRS (continued)

The December 31, 2010 Canadian GAAP statement of comprehensive loss for the year has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
Revenue				
Rental	$ 2,785,478	$ -		$ 2,785,478
Common area and realty tax recoveries	1,041,813	-		1,041,813
Interest and other	1,830	-		1,830
	3,829,121	-		3,829,121
Expenses				
Interest	1,947,650	-		1,947,650
Operating costs and realty taxes	1,432,836	-		1,432,836
Administration	652,343	(3,710)	(a)	648,633
Amortization	544,752	(544,752)	(c)	-
Fair value adjustment	-	(1,365,472)	(a)	(1,365,472)
Share-based compensation	29,723	-		29,723
	4,607,304	(1,913,934)		2,693,370
Net Income (Loss) before income taxes	(778,183)	1,913,934		1,135,751
Deferred income taxes	-	130,000	(b)	130,000
Net Income (Loss) and Comprehensive Loss	(778,183)	1,783,934		1,005,751
Retained Earnings (Deficit) - Beginning of Period	(4,976,808)	7,562,157	(a,b)	2,585,349
Retained Earnings (Deficit) - End of Period	$ (5,754,991)	$ 9,346,091		$ 3,591,100
Income (Loss) per share - basic and diluted	$ (0.09)			$ 0.11
Weighted Average Number of Common Shares Outstanding - basic and diluted	8,861,678			8,861,678

3. Transition to IFRS (continued)

The December 31, 2010 Canadian GAAP statement of cash flow for the year has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
Cash Flow from Operating Activities				
Net Loss	$ (778,183)	1,783,934	(a,b)	$ 1,005,751
Items not involving cash				
Amortization of deferred financing costs	107,189	-		107,189
Amortization of revenue producing properties	543,269	(543,269)	(a)	-
Amortization of intangible assets and liabilities	1,483	(1,483)	(a)	-
Accretion and other charges	239,729	-		239,729
Share-based compensation	29,723	-		29,723
Fair value adjustment	-	(1,365,472)	(a)	(1,365,472)
Interest expense	-	1,600,732	(d)	1,600,732
Deferred income taxes	-	130,000	(b)	130,000
	143,210	1,604,442		1,747,652
Changes in non-cash balances relating to operations				
Accounts receivable	(50,895)	-		(50,895)
Accrued rent receivable	(45,404)	-		(45,404)
Prepaid expenses	(88,808)	(3,710)	(a)	(92,518)
Accounts payable and accrued liabilities	125,495	(44,225)	(d)	81,270
	83,598	1,556,507		1,640,105
Cash Flows from Financing Activities				
Repayment of mortgages payable	(622,747)	-		(622,747)
Loans payable	265,000	-		265,000
Repayment of loans payable	(173,268)	-		(173,268)
Interest paid	-	(1,556,507)	(d)	(1,556,507)
Financing costs paid	(37,521)	-		(37,521)
Convertible debentures issued	720,000	-		720,000
Convertible debentures redeemed	(20,000)	-		(20,000)
	131,464	(1,556,507)		(1,425,043)
Cash Flows from Investing Activities				
Investment properties	(189,124)	-		(189,124)
Change in Cash	25,938	-		25,938
Cash - Beginning of Year	38,444	-		38,444
Cash - End of Year	$ 64,382	-		$ 64,382

3. Transition to IFRS (continued)

The following summarizes the significant changes to the Company's accounting policies upon adoption of IFRS:

a) Investment properties

The Company considers its properties to be investment properties under IAS 40. The increase in the investment properties for IFRS represents the increase to fair value in respect of the Company's investment property, net of de-recognition of related intangible assets and liabilities which are inherently reflected in the fair value of commercial property. Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. These were included in prepaid expenses previously. Administrative costs were also impacted for depreciation previously recorded.

The Company has applied the fair value model to account for investment property under IFRS. The choice reflects management's belief that the portfolio of properties generally fluctuate in value as opposed to depreciate in a prescribed manner. The fair value of investment property can be determined with a reasonable degree of accuracy and this policy provides better information as to the Company's asset base. At the Transition Date, the fair value of investment property was estimated to be approximately $8,528,970 greater than the carrying value under Canadian GAAP, including intangibles. The fair values were determined by a combination of external valuation and management estimates.

b) Deferred taxes

The increase in deferred income tax liabilities under IFRS compared with Canadian GAAP primarily relates to the increased carrying values of the Company's investment properties. The deferred income tax liability under IFRS is determined by applying tax rates to temporary differences based on the assumption that the Company will ultimately realize upon the investment properties through sale.

The Company had convertible debentures outstanding at January 1, 2010. Under Canadian GAAP, it is expected that a compound instrument can be settled without the incidence of tax. The tax basis of the liability component is considered equal to its carrying amount and no temporary difference with respect to deferred tax arises. Under IFRS the tax base of the liability component is equal to the sum of the liability and equity components which results in a taxable temporary difference. As a result, the Company recorded a deferred tax liability on the date of the transition in the amount of $390,000 of which the offset was charged directly against the equity component of the convertible debentures.

3. Transition to IFRS (continued)

c) Depreciation

In accordance with IFRS and the Company's policy choice, the Company measures investment properties at fair value and records changes in fair value in income during the period of change. Under Canadian GAAP, investment properties was recorded at cost and depreciated over its estimated life. In addition, the amortization of intangible assets and liabilities recognized on the acquisition of investment properties was amortized under Canadian GAAP, which is not the case under IFRS as the value of the intangible assets and liabilities are considered in the determination of the fair value of investment property.

d) First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS on the first date at which IFRS was applied, which was January 1, 2010 ("Transition Date"). IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company has chosen to take advantage of the following optional exemptions under IFRS 1:

On the Transition Date, the Company has elected not to retrospectively apply IFRS 2, Share-based Payments ("IFRS 2") to all share-based transactions at the date of transition. IFRS 2 will only be applied to equity instruments issued on or after, and that have not vested by, the Transition Date.

The Company will make use of an option exemption and apply IAS 32 Compound Financial Instruments retrospectively only to those convertible debentures still outstanding as at January 1, 2010.

The Company has elected not to retrospectively apply IFRS 3, Business Combinations. ("IFRS 3"). IFRS 3 will only be applied to business combinations occurring on or after the Transition Date.

4. Investment Properties

	December 31, 2011	December 31, 2010
Balance - beginning of year	$ 37,740,000	$ 36,140,000
Additions	-	189,124
Leasing costs	124,335	-
Accrued rent receivable	(128,453)	45,404
Fair value adjustments	1,354,118	1,365,472
Disposals	(11,000,000)	-
Balance - end of year	$ 28,090,000	$ 37,740,000

The Company determines the fair value of each investment property internally based upon the direct capitalization income approach with reference to the direct comparison approach and external appraisers for additional support. The fair value is determined by applying a capitalization rate to stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the investment property. The resulting capitalized value is further adjusted, where appropriate, for costs to stabilize the income and non recoverable capital expenditures.

External appraisals for two of the most significant properties, out of four total properties, were obtained at November 24, 2011. At January 1, 2010 and December 31, 2010, the fair value was determined by updating cash flow information from external appraisals previously obtained and applying updated capitalization rates determined from available market data, material leasing activity and material changes in local market conditions. There were no significant changes in the market and leasing activity from the dates of the previous appraisals. Capitalization rates of 7.50% to 8.50% as at January 1, 2010, December 31, 2010 and December 31, 2011 were used in determining the fair value of the properties. The weighted average capitalization rates are 8.07% for January 1, 2010, 8.03% for December 31, 2010 and 8.36% for December 31, 2011. A 0.5% increase in capitalization rates has an approximate decrease of $1,538,000 (December 31, 2010 - $2,167,000 and January 1, 2010 - $2,065,000) impact on the investment properties value.

5. Terms of Financing

Under the terms of a mortgage on one of the Company's properties, a payment amounting to $240,000 was made as of January 1, 2010. This payment was made at the rate of $20,000 per month commencing one year prior to the lease renewal date of an anchor tenant, and is payable to a maximum of 12 months. This amount wass repayable to the Company when the space was leased to a new anchor tenant, subject to the terms of the agreement. Accordingly, this payment was included in prepaid expenses. In June 2011, the Company received repayment of $120,000 of this amount and in August 2011 received the remaining balance of $120,000.

6. Other Amounts Receivable

Other amounts receivable include trade accounts receivable of $73,209 (December 31, 2010 - $91,925 and January 1, 2010 - $41,030) and an amount of $1,000,000 (December 31, 2010 and January 1, 2010 - $nil) due from the purchaser of an investment property sold during the year, which is secured by a mortgage on the property, bears interest at 3% per annum and is due November 18, 2012.

7. Mortgages Payable

	December 31, 2011	December 31, 2010 (note 3)	January 1, 2010 (note 3)
Mortgage payable, bearing interest at 6.89%, repayable monthly in blended principal and interest payments of $4,310, due March 1, 2012	$ 12,785	$ 61,812	$ 107,628
Mortgage payable, bearing interest at 8.40%, repayable monthly in blended principal and interest payments of $4,650, due December 1, 2013	497,942	511,298	523,581
Vendor take back mortgage, bearing interest at 10%, monthly payments of interest only, due January 1, 2012	1,500,000	1,500,000	1,500,000
Mortgage payable, bearing interest at 5.32%, repayable monthly in blended principal and interest payments of $53,996, due January 1, 2012 (note 17)	8,023,969	8,243,397	8,451,602
Mortgage payable, bearing interest at 6.3%, repayable monthly in blended principal and interest payments of $11,212 due January 1, 2012 (note 17)	769,155	853,018	931,837
Mortgage payable, bearing interest at 5.45%, repayable monthly in blended principal and interest payments of $24,300, due October 1, 2011 and extended to October 1, 2012 at 5.3% (note 17)	3,548,173	3,645,688	3,738,097
Mortgage payable, bearing interest at 5.43%, repayable monthly in blended principal and interest payments of $48,506, due October 1, 2013	-	7,289,644	7,474,860
	14,352,024	22,104,857	22,727,605
Unamortized mortgage financing costs	(8,207)	(114,901)	(177,977)
	$ 14,343,817	$ 21,989,956	$ 22,549,628

The mortgages are secured by a general security agreement (except for the mortgage of $769,155 which is secured by a second ranking general security agreement), the underlying revenue-producing properties, an assignment of rents and an assignment of fire insurance. The vendor take back mortgage is subordinated to the other mortgages payable.

The unamortized mortgage financing costs consist of fees and costs incurred to obtain the mortgage financing less accumulated amortization (see note 2(b)).

4. Mortgage Payable (continued)

Principal repayments required under the terms of the mortgages are approximately as follows:

2012	13,868,447
2013	483,577
	$14,352,024

8. Convertible Debentures

	December 31, 2011		December 31, 2010 (note 3)		January 1, 2010 (note 3)	
	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
8% - September 1, 2013 (i)	$ -	$ -	$ 50,000	$ 50,000	$ 50,000	$ 50,000
8% - November 18, 2014 (ii)	-	-	-	-	20,000	20,000
8% - December 31, 2014 (i, ii, iii)	3,587,500	2,600,137	3,606,250	2,353,838	3,606,250	2,114,109
8% - October 31, 2015 (iv)	1,115,000	815,448	-	-	-	-
	4,702,500	3,415,585	3,656,250	2,403,838	3,676,250	2,184,109
Unamortized deferred financing costs	-	(47,610)	-	(60,132)	-	(66,725)
	$4,702,500	$3,367,975	$3,656,250	$2,343,706	$3,676,250	$2,117,384

The face value of the convertible debentures consists of the following:

(i) The first series of the convertible debentures, with a face value of $900,000, bear interest at 8%, mature September 1, 2013 and are unsecured. These debentures could be converted by the holder into common shares of the Company at one common share for each $0.40 principal amount of debentures.

On December 31, 2009, the holders of $846,250 of these convertible debentures exchanged their holdings for the new 8% convertible debentures due December 31, 2014. The new debentures can be converted by the holder into common shares of the Company at a conversion price of $0.25 per share if converted prior to December 31, 2011, and $0.30 per share if converted prior to December 31, 2014. The fair value of the debt component of the new debentures was determined to be $559,175 based on an effective interest rate of 18%, and the fair value of the equity component was determined to be $287,075. As a result, the difference between the fair value of the new convertible debentures of $846,250 and the carrying value of the old convertible debentures of $628,103, was applied as a reduction to the debt component of the new convertible debentures.

As the conversion feature of the original debt expired unexercised, the equity component of $444,660 was transferred to contributed surplus.

8. Convertible Debentures (continued)

As at December 31, 2011, none (December 31, 2010 - $50,000, January 1, 2010 - $50,000) of the original debentures were outstanding without any conversion feature.

(ii) The second series of the convertible debentures bore interest at 8%, matured November 18, 2009 and are unsecured. The debentures could be converted by the holder into common shares of the Company at one common share for each $0.425 principal amount of debentures. The Company had the option to redeem the debentures at any time prior to maturity for the aggregate of the face value of the debentures plus earned interest. The Company had the right to force early conversion of the debentures in the event that the common shares of the Company trade for a period of five consecutive days (a "Trading Period") at a price equal to or above the following price and the cumulative trading volume of the common shares of the Company during this Trading Period represents not less than 5% of the Company's issued and outstanding common shares: $0.60 per common share at any time during the two year period from the closing date. These convertible debentures were issued on November 18, 2004 in connection with a private placement. The Company issued 2,300 units at $1,000 per unit. Each unit consisted of an unsecured convertible debenture in the amount of $1,000 and 1,500 common share purchase warrants.

On October 30, 2009, the holders of the debentures agreed to a 5 year extension of the debentures with the new due date being November 18, 2014. As the conversion feature had expired, the equity component of $529,683 was transferred to contributed surplus.

On December 31, 2009, the holders of $2,040,000 of these convertible debentures exchanged their holdings for the new 8% convertible debentures due December 31, 2014. The new debentures can be converted by the holder into common shares of the Company at a conversion price of $0.25 per share if converted prior to December 31, 2011, and $0.30 per share if converted prior to December 31, 2014. The fair value of the debt component of the new debentures was determined to be $1,310,537 based on an effective interest rate of 18%, and the residual allocated to the equity component was determined to be $729,463. There was no gain or loss on this transaction. As at December 31, 2011 (December 31, 2010 - $Nil, January 1, 2010 - $20,000), none of this series of debentures were outstanding.

(iii) The third series of convertible debentures bear interest at 8%, mature December 31, 2014 and are unsecured. The debentures can be converted by the holder into common shares of the Company at a conversion price of $0.25 per share if converted prior to December 31, 2011, and $0.30 per share if converted prior to December 31, 2014.

On December 31, 2009, subscribers agreed to pay $720,000 for the new 8% convertible debentures due December 31, 2014. The fair value of the debt component of the new debentures was determined to be $462,543 based on an effective interest rate of 18%, and the residual value of the equity component was determined to be $257,457.

As at December 31, 2009, the new debenture had not been received and were shown as debenture proceeds receivable on the balance sheet. This amount was collected in 2010.

During 2011, debentures amounting to $18,750 were converted to common shares.

8. Convertible Debentures (continued)

(iv) The fourth series of convertible debentures bear interest at 8%, mature October 31, 2015, are held by a related party and are unsecured. The related party and the Company are related by virtue of the fact that they have the same President. The debentures can be converted by the holder into common shares of the Company at a conversion price of $0.25 per share if converted prior to December 31, 2011, and $0.30 per share if converted prior to December 31, 2014.

During the year ended December 31, 2011, the Company's shareholders' approved the conversion feature of the related party loan (note 10(i)). The fair value of the debt component of the convertible debentures was estimated at $785,285 based on an effective rate of 18% and the residual allocated to the equity component was determined to be $329,715

During the year ended December 31, 2011, the Company incurred interest expense relating to the convertible debentures of $89,200. As at December 31, 2011, accounts payable and accrued liabilities included $Nil payable to this related party. As at December 31, 2011, the total debentures of this series outstanding amounted to $1,115,000.

9. Purchase Price Payable

In December 2006, the Company acquired the Tri-City Mall in Cold Lake, Alberta and agreed to pay an additional $658,776 if and when the property became fully leased at any time up to December 31, 2021. Since the Company expects to fully lease the property by this time, the obligation has been fully provided for and was added to the cost of the acquisition. As at December 31, 2011, the property was not fully leased.

10. Loans Payable

(i) During 2006, the Company entered into an unsecured loan agreement for $500,000 with a related corporation, bearing interest at 6.0% with monthly payments of interest only, due November 2007, which were subsequently extended to November 2010. The companies are related since they have the same President.

During 2006 the Company entered into an unsecured loan agreement for $500,000 with another related corporation, bearing interest at 6.0% with monthly payments of interest only, due November 2007, which were subsequently extended to November 2010. The companies are related since they have directors in common.

On October 31, 2010 the unsecured loans were exchanged for 8% unsecured convertible debentures, maturing October 31, 2015, for face value plus accrued interest of $115,000. The conversion feature was subject to disinterested shareholder approval, which was received in June 2011 (note 8(iv)). As a result, until disinterested shareholder approval was obtained, this was recorded as a loan payable. At December 31, 2010, $Nil was outstanding.

The Debentures have a 5 year term, maturing October 31, 2015 and bear interest from the date of issue at 8% per annum, payable semi-annually.

10. Loans Payable (continued)

(ii) During 2009, the Company entered into a loan agreement for $197,500 with a third party, bearing an effective interest of 17.56%. The Company made monthly payments of $10,000 on the first day of each month starting October 1, 2009 for a period of eleven months with a final payment of $115,000 on August 31, 2010. As at December 31, 2010 this loan was repaid in full.

(iii) During 2010, the Company entered into a loan agreement for $300,000 with a third party. The actual loan amount received was $265,000 which was net of total interest. This gives the loan an effective interest rate of 15.84% per annum. The Company made monthly payments of $10,000 on the twenty-second day of each month starting January 22, 2011 for a period of eleven months with a final payment of $190,000 on December 21, 2011.

11. Commitments

Minimum annual lease payments required under an operating lease are approximately as follows:

2012	36,636
2013	6,177
	$ 42,813

12. Share Capital

The Company is authorized to issue unlimited preference shares and unlimited common shares.

Common shares	Number	Amount
Balance - January 1 and December 31, 2010	8,861,678	2,816,462
Issued (note 8(iii))	75,000	18,750
Balance - December 31, 2011	8,936,678	$ 2,835,212

On March 11, 2008, the Company announced its intention to make a normal course issuer bid (the "Bid") for up to 546,051 of its common shares, representing 10% of the Company's public float. The Bid will be made through the facilities of the TSX Venture Exchange and the purchase and payment for the securities will be made in accordance with the Exchange requirements at the market price of the shares at the time of acquisition. All units purchased by the Company under the Bid will be cancelled.

The Bid commenced on March 11, 2008 and has been renewed each year until April 5, 2012. The Bid was not renewed at that time.

As at December 31, 2011, no shares have been purchased under the normal course issuer bid.

12. Share Capital (continued)

a) Share-based compensation

The Stock Option Plan reserves a maximum of 10% of the issued and outstanding shares of the Company (determined at the time of the stock option grant) for issuance upon the exercise of stock options granted pursuant to the Stock Option Plan. Stock options granted have a term that does not exceed 10 years and the exercise prices and vesting provisions are determined by the board of directors.

A summary of the status of the Company's Plan as at December 31, 2011 and December 31, 2010 and the changes during the periods are presented below:

	December 31, 2011		December 31, 2010 (note 3)	
	Options	Weighted average exercise price per option	Options	Weighted average exercise price per option
Outstanding beginning of period	884,000	$ 0.270	884,000	$ 0.288
Granted	196,000	0.223	150,000	0.200
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(225,000)	0.294	(150,000)	0.305
Outstanding, end of period	855,000	$ 0.253	884,000	$ 0.270
Exercisable, end of period	855,000	$ 0.253	884,000	$ 0.270

12. Share Capital (continued)

b) On June 1, 2010, 150,000 stock options expired.

On June 21, 2010, the Company granted 150,000 fully vested stock options to directors and officers. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.20 per share until June 21, 2020. The estimated fair value of $29,723 has been recorded as share-based compensation. The following assumptions were used in the Black-Scholes pricing model:

Expected dividend paid	Nil
Risk-free interest rate	3.32%
Expected life	10.0 years
Expected volatility	161%

The weighted average grant date fair value of options granted in 2010 was $0.198.

On April 20, 2011, the Company granted 96,000 stock options to directors, officers, and employees. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.215 per share until April 20, 2021. The options vested upon grant. The estimated fair value of $18,447 has been included in share-based compensation and contributed surplus.

Expected dividend yield	Nil
Risk-free interest rate	3.25%
Expected life	10.0 years
Expected volatility	91%

On June 23, 2011, the Company granted 100,000 stock options to directors and officers. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.23 per share until June 23, 2021. The options vested upon grant. The estimated fair value of $20,050 has been included in share based compensation and contributed surplus.

Expected dividend yield	Nil
Risk-free interest rate	3.25%
Expected life	10.0 years
Expected volatility	91%

Expected volatility is based on the historical volatility of the Company.

12. Share Capital (continued)

At December 31, 2011, options which had been granted to certain directors, officers, employees and consultants to purchase common shares of the Company subject to various requirements were outstanding as follows:

Outstanding	Exercisable	Year of grant	Exercise price per option	Expiry date
309,000	309,000	2007	$ 0.300	April 26, 2012
200,000	200,000	2009	$ 0.250	February 20, 2014
150,000	150,000	2010	$ 0.200	June 21, 2020
96,000	96,000	2011	$ 0.215	April 20, 2021
100,000	100,000	2011	$ 0.230	June 23, 2021
855,000	855,000			

13. Contributed Surplus

Contributed surplus consists of the recorded value of options granted to directors, officers, employees and consultants as well as transfers from the equity component of convertible debentures.

14. Income Taxes

a) Income tax recovery attributable to the loss differs from the amounts computed by applying the combined federal and provincial income tax rates of 27.38% (2010 - 29.00%) to the pretax loss as a result of the following:

	2011	**2010**
Net income before income taxes	$ 55,954	$ 1,135,751
Income taxes computed as statutory rates	15,000	329,000
Reduction in income tax recovery resulting from:		
Non-deductible expense	91,000	78,000
Change in tax rates	2,000	51,000
Difference in tax rates for capital gains	170,000	-
Tax loss carried forward utilized	(55,000)	(18,000)
Change in fair values	(371,000)	(396,000)
Other	58,000	(29,000)
Change in valuation allowance	-	115,000
Deferred income tax expense (recoveries)	$ (90,000)	$ 130,000

14. Income Taxes (continued)

b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities as at December 31, 2011 and 2010 are presented below:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred tax assets:			
Non-capital loss carryforwards	$ -	$ 51,000	$ 66,000
Deferred tax liabilities			
Investment properties	854,000	889,000	712,000
Convertible debentures	322,000	328,000	390,000
Issue costs	(1,000)	17,000	17,000
	1,175,000	1,234,000	1,119,000
Net future tax liabilities	$ (1,175,000)	$ (1,183,000)	$ (1,053,000)

c) At December 31, 2011, the Company had net capital loss carry forwards for federal income tax purposes in Canada of approximately $26,000. The net capital loss carry forwards have no expiry dates.

At December 31, 2011, the Company had no non-capital loss carry forwards available to reduce taxable income of future years.

15. Financial Instruments and Risk Management

Fair Value

The Company's accounts receivable, accrued rent receivable, debenture proceeds receivable and other financial liabilities, which includes mortgages payable, convertible debentures, purchase price payable, loans payable and accounts payable and accrued liabilities, are carried at amortized cost, which approximates fair value, except for the mortgages which have a fair value of approximately $14,400,000. Such fair value estimates are not necessarily indicative of the amounts that the Company might pay or receive in actual market transactions.

The Company had no embedded derivatives requiring separate recognition for the year ended December 31, 2011, December 31, 2010 and January 1, 2010.

The company is exposed to the following risks as a result of holding financial instruments: market risk (i.e. interest rate risk, currency risk and other price risks that impact the fair values of financial instruments); credit risk; and liquidity risk. The following is a description of these risks and how they are managed:

The fair value hierarchy of financial instruments measured at fair value on the balance sheet includes cash at Level 1. The Company has no other financial instruments at Level 2 or Level 3.

15. Financial Instruments and Risk Management (continued)

Market Risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates such as changes in equity prices, commodity prices or credit spreads.

The company manages market risk from the impact of changes in interest rates by funding assets with financial liabilities with similar interest rate characteristics.

Interest rate cash flow risk is minimized through the Company's current strategy of having the mortgages payable in fixed rate arrangements, however it is subject to price risk.

A change of 0.5% in interest rates would impact the fair value of fixed rate mortgages payable by approximately $45,000. Changes in interest rates do not impact the cash flow of the fixed rate mortgages.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. The Company believes that the credit risk of accounts receivable is minimal as the balance receivable is limited to only $73,209. Cash is held at a Canadian chartered bank which has minimal risk. The amount due of $1,000,000 from the purchaser of the investment property is secured by a mortgage registered against the real estate and a general security agreement.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in note 16. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. The Company is subject to the risk associated with debt financing, including the ability to refinance indebtedness at maturity. The Company believes these risks are mitigated through the use of long-term debt with maturities over an extended period of time.

As at December 31, 2011, the Company's financial liabilities include accounts payable and accrued liabilities, with contractual maturities of less than one year, convertible debentures (note 8) and mortgages payable (note 7).

16. Capital Management

The Company's objectives when managing capital are:

a) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and

b) to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of capital in proportion to risk. The Company includes equity in its definition of capital. Equity is comprised of capital stock, equity component of convertible debentures, contributed surplus and retained earnings. The Company manages capital structure and makes adjustments in light of changes in economic conditions and the risk characteristic of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

17. Related Party Transactions

During the year ended December 31, 2011, the Company:

a) Charged related parties rent totalling approximately $35,257 (December 31, 2010 - $35,685)**.** The companies are related by virtue of the fact that they have the same President. As at December 31, 2011, included in accounts receivable is an amount of $39,562 (December 31, 2010 - $66,400, January 1, 2010 - $33,314) due from these related parties.

b) Was charged consulting fees of $87,100 (December 31, 2010 - $87,100) by an officer. As at December 31, 2011, accounts payable and accrued liabilities included $Nil (December 31, 2010 - $54,690, January 1, 2010 - $89,245) payable to this officer.

c) Incurred accounting fees of $101,910 (December 31, 2010 - $109,187) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2011, accounts payable and accrued liabilities included $39,000 (December 31, 2010 - $54,690, January 1, 2010 - $89,245) payable to this accounting firm.

d) Other related party transactions are disclosed in note 8 and note 10.

These transactions are in the normal course of operations.

18. Management Compensation

Key management includes all directors (management and non-management directors) and the Chief Financial Officer. The Chief Executive Officer is a management director. The compensation paid or payable to key management for services is shown below:

	December 31, 2011	December 31, 2010
		(note 3)
Salaries	$ 219,100	$ 213,600
Directors fees	27,500	31,625
Share-based compensation	36,575	29,724
	$ 283,175	$ 274,949

19. Revenue

The Company enters into long-term lease contracts with tenants for space in its properties. Initial lease terms are generally between 5 and 10 years. Leases generally provide for the tenant to pay the Company base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating cost and realty tax recoveries.

Minimum rent payments under non-cancellable operating leases are as follows:

Not later than 1 year	$ 215,251
Later than 1 year and not later than 5 years	707,810
Later than 5 years	970,338
	$ 1,893,399

20. Subsequent Events

On February 23, 2012, the Company refinanced the mortgages on the St. Paul Shopping Centre in St. Paul, Alberta and the Tri-City Mall in Cold Lake, Alberta. The new mortgage, which replaces the existing mortgages on the properties, is for $14,500,000 and has a term of five years with an interest rate of 5.25%.