



ANNUAL REPORT

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

**CONSOLIDATED FINANCIAL STATEMENTS
(AUDITED, IN CANADIAN DOLLARS)**

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

DATED: FEBRUARY 26, 2015

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PRESIDENT'S MESSAGE

Fellow Unitholders:

We are pleased to report our results for the year ended December 31, 2014. Our first year as a REIT was marked by a number of important realizations that will ultimately set the basis for continuing our future growth in our distributions per unit. We: 1) completed approximately \$165 million in new financings and re-financings; 2) continued to grow through development and redevelopment across our geography; 3) continued to refill our pipeline of development and redevelopment projects in order to continue our profitable growth in future years; 4) completed \$60.3 million in non-core KEYreit asset sales for a gain over our original underwritten value of \$15.1 million; and 5) announced the increase in our annual distribution to 25¢ per unit for 2015, up from 24¢ per unit in 2014. This represents the 12th consecutive annual distribution increase for our REIT.

During the year ended December 31, 2014, 6 additional properties, representing just over 199,000 square feet (126,000 square feet at our ownership percentage), were purchased or became income producing. We invested \$34.4 million in development/redevelopment activity and new property additions. Our business continues to grow as we have 11 projects, representing approximately 511,000 square feet, under development and 11 properties, representing approximately 326,000 square feet, under redevelopment in 2015. In addition, we are expanding 2 existing properties to accommodate our customers' needs. These new development and redevelopment properties are representative of our strategy to develop assets leased to Canada's best retailers and grow our future cash flow per unit.

Plaza's term financing and refinancing program undertaken in 2014 will have a very positive impact on our future financial results as the savings generated will produce cash flow growth per unit and strengthen our business by reducing our exposure to interest rate increases. Over the last year, Plaza has successfully placed a number of mortgages with fixed rate terms of 10, 15 and 20 years, matching the mortgage terms to the terms of the leases of major tenants. This strategy is very different than that pursued by most of our peers. Although it can be more costly in the short term, placing longer term debt has always been an important part of our business strategy, as it reduces interest rate risk in the long term.

Going forward Plaza will continue to: 1) to pursue its value-added and opportunity-driven business strategy for its unitholders; 2) remain well-capitalized in order to take advantage of opportunities; 3) pursue its goal of focusing on per unit results that will lead to increasing per unit distributions for unitholders; and 4) take advantage of our REIT's strong leasing and development platform in order to adapt to the rapidly changing retail business environment in Canada. Very few Canadian public real estate entities offer the potent combination of a secure distribution stream and the ability to consistently grow distributions by developing and redeveloping high quality new retail projects.

I wish to thank everyone responsible for our success: our staff; our Board of Trustees; our customers; and our stakeholders.

Sincerely,



Michael Zakuta
President and CEO

PART I

BASIS OF PRESENTATION

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to February 26, 2015. Financial information provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A has been reviewed and approved by management of Plaza Retail REIT (hereinafter referred to as "Plaza" or the "Trust") and the Board of Trustees.

Effective January 1, 2014, Plazacorp Retail Properties Ltd. (the "Company") completed its plan of arrangement to convert into a real estate investment trust (Plaza Retail REIT). Under the reorganization, shareholders of the Company received one trust unit of the Trust, for each common share of the Company held.

As a result of the fact that the Trust is a continuation of the Company, all comparatives in this MD&A are those of the Company.

FORWARD-LOOKING DISCLAIMER

The MD&A of the Trust for the year ended December 31, 2014 should be read in conjunction with the Trust's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2014 and 2013, along with the MD&A of the Company for the year ended December 31, 2013, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Trust's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Trust to differ materially from the forward-looking statements contained in this MD&A. Such factors include, but are not limited to, economic, capital market, and competitive real estate conditions. These forward-looking statements are made as of February 26, 2015 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, required further explanation to avoid being misleading.

OVERVIEW OF THE BUSINESS

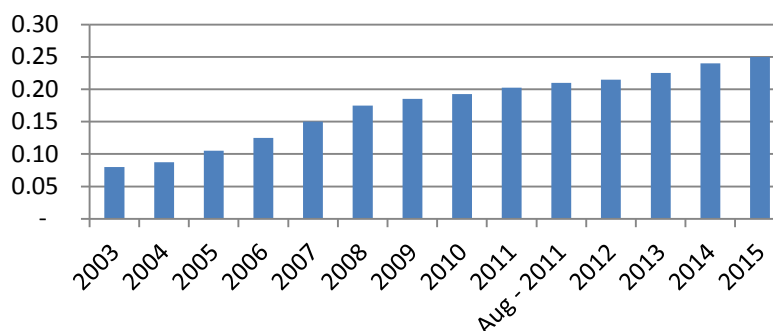
Headquartered in Fredericton, New Brunswick, Plaza is an unincorporated "open-ended" real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 (the "Declaration of Trust") and governed by the laws of the Province of Ontario. It trades on the TSX under the symbol "PLZ.UN".

Plaza offers a unique business strategy that differs from many of its peers in the real estate industry. Plaza's main business is driven by value-add opportunities to develop and redevelop unenclosed and enclosed retail real estate throughout Canada. The Trust's developments and redevelopments are generally focused in Eastern Canada, where it has a competitive advantage. Plaza also finances differently than many of its peers, by minimizing the amount of short-term debt that it obtains, therefore locking in returns for unitholders and minimizing financing risk. Plaza is focused on cash flow per unit and conducts its business in order to maximize this and therefore distributions for unitholders.

Plaza's growth is driven by value-add developments and redevelopments as well as organic growth from the existing portfolio as leases roll-over. Plaza's unique business strategy and focus on cash flow per unit has allowed it to increase its distribution every year since it began paying distributions in November 2002 (thirteen times over the past twelve years). Plaza is one of only two REITs in Canada to have increased its distribution every year for such a period of time. Plaza's distribution compounded annual growth rate is approximately 10%.

Yearly Distribution/Dividend Growth

2003	8.00¢	n/a
2004	8.75¢	9.4%
2005	10.50¢	20.0%
2006	12.50¢	19.0%
2007	15.00¢	20.0%
2008	17.50¢	16.7%
2009	18.50¢	5.7%
2010	19.25¢	4.1%
2011	20.25¢	5.2%
2011-Aug	21.00¢	3.7%
2012	21.50¢	2.4%
2013	22.50¢	4.7%
2014	24.00¢	6.7%
2015	25.00¢	4.2%

Distributions/Dividends per unit


The Trust's portfolio at December 31, 2014 includes interests in 309 properties totaling approximately 6.7 million square feet (which are predominantly occupied by national tenants) and additional lands held for development. These include properties indirectly held by Plaza through its subsidiaries and through joint arrangements.

Summary of Properties

	Number of Properties December 31, 2014 ⁽¹⁾	Gross Leasable Area (sq. ft.) December 31, 2014 ^{(1) (2)}	Number of Properties December 31, 2013 ⁽¹⁾	Gross Leasable Area (sq. ft.) December 31, 2013 ^{(1) (2)}
Alberta	12	53,426	14	108,687
British Columbia	-	-	2	3,038
Newfoundland and Labrador	10	637,403	10	623,757
New Brunswick	49	1,721,569	48	1,700,629
Nova Scotia	38	1,169,160	39	1,156,468
Manitoba	8	34,524	8	34,524
Ontario	86	721,337	103	721,844
Prince Edward Island	9	486,390	9	493,053
Quebec	97	1,837,237	101	1,742,157
Total	309	6,661,046	334	6,584,157

⁽¹⁾ Includes properties under development and non-consolidated investments.

⁽²⁾ At 100%, regardless of the Trust's ownership interest in the properties

BUSINESS ENVIRONMENT

The principal regions in which Plaza operates continue to exhibit stability in retailer demand for space and in consumer spending. Plaza's strategy is to develop or acquire properties tenanted primarily by national retailers, with a focus on retailers in the consumer staples market segment. Plaza's execution of this strategy has produced a portfolio that is currently approximately 90% occupied by national retailers, providing investors with stable cash flow.

Long-term debt financing continues to be readily available at historically competitive fixed rates with long amortization periods and long terms. Plaza took the opportunity in 2014 to take advantage of the debt markets to early refinance many of its 2015, 2016 and 2017 mortgages. In terms of equity financing, the capital markets have been less favourable for many real estate entities since the latter half of 2013, making raising equity capital less attractive.

SIGNIFICANT ACHIEVEMENTS DURING 2014

REIT Conversion

Effective January 1, 2014, the Company completed its plan of arrangement to convert into a real estate investment trust structure (Plaza Retail REIT). Under the reorganization, shareholders of the Company received one trust unit of the Trust, for each common share of the Company held. This conversion was done on a tax-deferred basis for shareholders of the Company.

Plaza believes that being in a REIT structure will ultimately enhance value for unitholders because of the inherent benefits that a REIT provides, which are:

- (i) it is a more tax efficient structure than a corporation;
- (ii) it is the preferred vehicle for owning real estate in Canada;
- (iii) it allows for comparability against peers who are all mainly REITs; and
- (iv) it provides for greater flexibility when raising capital.

Financings

During 2014, Plaza obtained or refinanced approximately \$165 million in mortgage loans and convertible debentures (at Plaza's ownership percentage), generating approximately \$1.4 million in annual cash flow savings, or approximately \$0.015 per unit. Part of the objective of this significant refinancing program was to take advantage of the robust debt markets and refinance mortgages on more favourable terms. Many of the mortgages refinanced were set to expire in 2015, 2016 and 2017.

KEYreit Value Extraction

Plaza has been extracting value from its 2013 acquisition of KEYreit in many ways: (i) from the immediately accretive realized synergies in administrative expenses amounting to approximately \$3.0 million per year; (ii) from refinancing almost half of the assumed KEYreit higher cost mortgage loans and debentures, which will result in annual cash flow savings of approximately \$1.3 million per year; (iii) from the sale of \$60.3 million of non-core properties at well-above Plaza's underwritten value by approximately \$15.1 million; and (iv) from the redevelopment of sites to fit new tenants – Plaza's core business.

Developments

In 2014, Plaza spent \$34.4 million in developments/redevelopments and added \$1.0 million in incremental NOI from 2013 and 2014 projects that became income producing.

Roll-Ins

Effective January 1, 2015, Plaza closed the purchase of interests of certain equity partners in eight properties located in New Brunswick and Prince Edward Island. The net purchase price (after assumption of debt) of \$6.1 million was satisfied by the issuance of 1,319,000 exchangeable limited partnership ("LP") units of a subsidiary LP at a price of \$4.60 per unit, which are exchangeable at any time into units of Plaza on a one-for-one basis. Plaza owned interests in each of the eight properties of between 43% and 85%, and now owns between 86% and 100% of each. Based on the purchase price and the unit price used to issue the exchangeable units, this transaction is accretive to Plaza.

Distribution Increase

As a result of growth from regular operations, growth from Plaza's ongoing development and redevelopment activities as well as growth from the above-noted 2014 achievements, Plaza increased its distribution by 4.2% to \$0.25 per unit for 2015.

SUMMARY OF SELECTED ANNUAL INFORMATION

(000s, except square footage and as otherwise noted)	2014	2013
Property rental revenue	\$ 93,376	\$ 83,091
Total revenue	\$ 98,453	\$ 86,193
NOI ⁽¹⁾	\$ 59,787	\$ 52,487
Same-asset NOI ⁽¹⁾	\$ 33,984	\$ 33,813
FFO - adjusted ⁽¹⁾	\$ 27,241	\$ 19,322
AFFO ⁽¹⁾	\$ 24,094	\$ 18,496
EBITDA ⁽¹⁾	\$ 55,614	\$ 47,641
Total assets	\$ 950,331	\$ 975,194
Total mortgages, mortgage bonds, notes payable and bank credit facilities	\$ 460,534	\$ 475,433
Total debentures	\$ 65,509	\$ 98,423
Weighted average units outstanding	91,607	74,426
Amounts on a Per Unit Basis		
FFO - adjusted ⁽¹⁾	\$ 0.297	\$ 0.260
AFFO ⁽¹⁾	\$ 0.263	\$ 0.249
Distributions	\$ 0.240	\$ 0.225
Financial Ratios		
Weighted average interest rate – fixed rate mortgages	4.92%	5.16%
Debt to gross assets (excluding converts)	48.6%	48.6%
Debt to gross assets (including converts)	54.9%	58.0%
Interest coverage ratio ⁽¹⁾	1.85x	1.70x
Debt service coverage ratio ⁽¹⁾	1.43x	1.37x
Distributions as a % of FFO - adjusted	80.6%	82.9%
Distributions as a % of FFO – adjusted (excluding one-time & unusual items)	76.2%	77.3%
Distributions as a % of AFFO	91.1%	86.6%
Distributions as a % of AFFO (excluding one-time & unusual items)	85.6%	80.5%
Leasing Information		
Square footage leased during the year (total portfolio)	963,979	841,262
Occupancy – income producing properties	96.4%	94.8%
Same-asset occupancy	95.9%	94.6%
Mix of Tenancy Based on Square Footage		
National	90.6%	89.2%
Regional	4.0%	3.1%
Local	4.2%	7.1%
Non retail	1.2%	0.6%
Other		
Average term to maturity - mortgages	6.7 years	5.7 years
Average term to maturity - leases	6.7 years	7.0 years
IFRS capitalization rate	7.13%	7.08%

Property Type Breakdown	Number of Properties	Square Footage	Number of Properties	Square Footage
	December 31, 2014	(000s)	December 31, 2013	(000s)
Strip	94	4,344	94	4,267
Enclosed	4	894	4	880
Single Use – Quick Service Restaurant	147	371	172	393
Single Use – Retail	64	1,052	64	1,044
Total	309	6,661	334	6,584

(1) Refer to “Non-GAAP Measures” and “Additional GAAP Measures” for further explanations.

EXPLANATION OF NON-GAAP MEASURES USED IN THIS DOCUMENT

Funds From Operations (FFO) is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit for the period attributable to unitholders on page 10). Plaza considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and some entities use the fair value model to account for investment properties).

FFO per unit is not an IFRS financial measure. Plaza calculates FFO per unit as FFO divided by the weighted average number of units outstanding.

Adjusted Funds From Operations (AFFO) is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream (see reconciliation to FFO on page 12). Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short term cash requirements or surpluses and are deemed financing activities. In addition, non-recurring costs that impact operating cash flow may be adjusted (see reconciliation to operating cash flow on page 13).

AFFO per unit is not an IFRS financial measure. Plaza calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before finance costs, income tax expense, gains/losses on property dispositions, unrealized changes from fair value adjustments, transaction costs expensed as a result of the purchase of a business or properties, and net revaluation of interest rate swaps (see reconciliation to profit for the period on page 11).

FFO, AFFO and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

EXPLANATION OF ADDITIONAL GAAP MEASURES USED IN THIS DOCUMENT

Net Property Operating Income (NOI) is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of comprehensive income. NOI as calculated by Plaza may not be comparable to similar titled measures reported by other entities. Plaza considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of comprehensive income (property revenues less total property operating costs, including operating ground rents).

PART II

STRATEGY

Plaza's principal goal is to deliver a reliable and growing yield to unitholders from a diversified portfolio of retail properties. To achieve this goal the Trust's Board of Trustees has set development criteria of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates and assuming a 25 year amortization period.

The Trust strives to:

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

The Trust invests in the following property types:

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

Management intends to achieve Plaza's goals by:

- acquiring or developing high quality properties with the potential for increases in future cash flows;
- focusing on property leasing, operations and delivering superior services to tenants;
- managing properties to maintain high occupancies and staggering lease maturities appropriately;
- increasing rental rates when market conditions permit;
- achieving appropriate pre-leasing prior to commencing construction;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- matching, as closely as practical, the weighted average term to maturity of mortgages to the weighted average lease term;
- retaining sufficient capital to fund capital expenditures required to maintain the properties well;
- raising capital where required in the most cost-effective manner;
- properly integrating new properties acquired;
- using internal expertise to ensure that value is surfaced from all of the properties; and
- periodically reviewing the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

- occupancy rates;
- rental rates;
- tenant service; and
- maintaining competitive operating costs.

Management believes that the key external performance drivers are:

- the availability of new properties for acquisition and development;
- the availability and cost of equity and debt capital; and
- a stable retail market.

The key performance indicators by which management measures Plaza's performance are as follows:

- FFO;
- AFFO;
- FFO/AFFO payout ratios;
- debt service ratios;
- debt to gross assets;
- "same-asset" NOI;
- weighted average effective cost of debt; and
- occupancy levels.

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing a steady and increasing cash flow to unitholders. The following chart discusses the key performance indicators for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Plaza Retail REIT

Funds from Operations⁽¹⁾		2014	2013
	FFO - adjusted	\$27,241	\$19,322
	FFO per unit - adjusted	\$0.297	\$0.260
	The principal factors influencing FFO - adjusted were:		
	<ul style="list-style-type: none"> ➤ Incremental NOI growth from new developments/acquisitions of approximately \$1.0 million; ➤ An increase in same-asset NOI of approximately \$0.2 million; ➤ Incremental NOI from the purchase of KEYreit of \$6.5 million; ➤ An increase in other income of \$0.8 million; and ➤ An increase in administrative expenses of \$0.5 million. 		
Adjusted Funds from Operations⁽¹⁾		2014	2013
	AFFO	\$24,094	\$18,496
	AFFO per unit	\$0.263	\$0.249
	<ul style="list-style-type: none"> ➤ The principal factors influencing AFFO were the incremental FFO growth, partly offset by higher maintenance capital expenditures and higher mortgage placement fees. 		
FFO/AFFO Payout Ratios		2014	2013
	Distributions as a % of FFO - adjusted	80.6%	82.9%
	Distributions as a % of FFO – adjusted (excluding one-time & unusual items)	76.2%	77.3%
	Distributions as a % of AFFO	91.1%	86.6%
	Distributions as a % of AFFO (excluding one-time & unusual items)	85.6%	80.5%
Debt Service Ratios⁽¹⁾		2014	2013
	Interest coverage ratio	1.85	1.70
	Debt service coverage ratio	1.43	1.37
	<ul style="list-style-type: none"> ➤ Debt service ratios were impacted by the positive effects of early refinancings that have taken place, as well as higher EBITDA. 		
Debt to Gross Assets		Q4 2014	Q4 2013
	Debt to gross assets (excluding converts)	48.6%	48.6%
	Debt to gross assets (including converts)	54.9%	58.0%
Same-Asset Net Property Operating Income⁽¹⁾		2014	2013
	Same-asset NOI	\$33,984	\$33,813
	<ul style="list-style-type: none"> ➤ Same-asset NOI was impacted by an improvement in occupancy, partly offset by a property tax reassessment and harsh winter conditions which led to additional non-recoverable costs. 		
Weighted Average Interest Rate – Fixed Rate Mortgages		Q4 2014	Q4 2013
	Weighted average interest rate – fixed rate mortgages	4.92%	5.16%
	<ul style="list-style-type: none"> ➤ The decrease was a result of continued financings and refinancings at historically low interest rates. 		
Occupancy Levels		Q4 2014	Q4 2013
	Occupancy levels	96.4%	94.8%

(1) Refer to Non-GAAP Measures” and “Additional GAAP Measures” for further explanations.

PROPERTY AND CORPORATE PERFORMANCE 2014 AND 2013
Funds from Operations (FFO)

Plaza's summary of FFO for the three and twelve months ended December 31, 2014, compared to the three and twelve months ended December 31, 2013 is presented below:

	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
(000s – except per unit amounts)				
Profit (loss) for the period attributable to unitholders/shareholders	\$ 15,017	\$ (9,204)	\$ 85,275	\$ (11,591)
Add (deduct):				
Transaction related costs on acquisition of KEYreit	-	-	-	9,061
Deferred income taxes	2,540	(3,553)	(57,296)	668
Refundable tax on disposals of investment properties	(342)	(256)	(342)	(882)
Fair value adjustment to investment properties	(7,921)	18,067	228	24,079
Fair value adjustment to investments	(1,295)	839	(500)	(98)
Fair value adjustment to convertible debentures	(252)	(266)	523	(1,628)
Equity accounting adjustment	41	(16)	113	558
Non-controlling interest adjustment	(1,007)	(2,388)	(760)	(2,479)
Basic and diluted FFO	\$ 6,781	\$ 3,223	\$ 27,241	\$ 17,688
Adjustment for debenture issuance costs ⁽¹⁾	-	1,634	-	1,634
Basic and diluted FFO - adjusted	6,781	4,857	27,241	19,322
Basic Weighted Average Units Outstanding	92,506	85,359	91,607	74,426
Diluted Weighted Average Units Outstanding	92,506	85,359	91,607	74,426
Basic and diluted FFO per unit	\$ 0.073	\$ 0.038	\$ 0.297	\$ 0.238
Basic and diluted FFO per unit - adjusted	\$ 0.073	\$ 0.057	\$ 0.297	\$ 0.260

(1) IFRS requires the immediate expensing of convertible debenture issuance costs only for entities like Plaza, whose equities are considered puttable instruments. Therefore, for comparative purposes and discussion purposes below, these costs are adjusted.

Basic FFO for the year ended December 31, 2014 increased by 41.0% over basic FFO – adjusted in the prior year. Basic FFO per unit for the year ended December 31, 2014 increased by 14.1% over basic FFO per unit – adjusted in the prior year.

Positively impacting FFO was:

- (i) incremental NOI growth from new developments/acquisitions of approximately \$1.0 million;
- (ii) incremental NOI from the purchase of KEYreit of \$6.5 million;
- (iii) an increase in other income of \$0.8 million mainly due to development fees earned in the year; and
- (iv) an increase in same-asset NOI of \$0.2 million.

Negatively impacting FFO was an increase in administrative expenses of \$0.5 million primarily due to an increase in salaries and benefits.

Basic FFO for the three months ended December 31, 2014 increased by 39.6% over basic FFO - adjusted in the prior year. Basic FFO per unit for the three months ended December 31, 2014 increased by 28.1% over basic FFO per unit - adjusted in the prior year.

Positively impacting FFO was:

- (i) an increase in same-asset NOI of \$0.2 million;
- (ii) an increase in other income of \$0.3 million mainly due to development fees earned in the quarter;
- (iii) a decrease in administrative expenses of \$0.8 million due to a decrease in one-time expenses mainly relating to the REIT conversion; and

Plaza Retail REIT

- (iv) a decrease in finance costs of \$1.9 million mainly due to lower interest on the KEYreit bridge facility which was repaid in May 2014, interest savings on early refinancings of mortgages and a decrease in convertible debenture interest resulting from the conversion and redemption of prior series of debentures.

Negatively impacting FFO was:

- (i) a decrease in incremental NOI from the purchase of KEYreit of \$0.8 million due to the sale of properties; and
(ii) a decrease in NOI of \$0.2 million from properties moved from income producing status to redevelopments.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Debt Coverage Ratios

Plaza's summary of EBITDA and debt coverage ratios for the three and twelve months ended December 31, 2014, compared to the three and twelve months ended December 30, 2013 is presented below:

	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
(000s – except debt coverage ratios)				
Profit (loss) for the period	\$ 14,248	\$ (11,375)	\$ 85,445	\$ (13,065)
Add (deduct):				
Income taxes	2,147	(3,750)	(57,420)	(93)
Transaction related costs on acquisition of KEYreit	-	-	-	9,061
Finance costs	6,883	10,373	27,225	28,827
Fair value adjustment to investment properties	(7,921)	18,067	228	24,079
Fair value adjustment to investments	(1,295)	839	(500)	(98)
Fair value adjustment to convertible debentures	(252)	(266)	523	(1,628)
Equity accounting adjustment	41	(16)	113	558
EBITDA	\$ 13,851	\$ 13,872	\$ 55,614	\$ 47,641
Finance costs (excluding mark to market adjustment and debenture issuance costs)	\$ 7,093	\$ 9,046	\$ 30,131	\$ 28,042
Periodic mortgage principal repayments	2,071	1,993	8,826	6,772
Total debt service	\$ 9,164	\$ 11,039	\$ 38,957	\$ 34,814
Debt coverage ratios				
Interest coverage ratio	1.95 times	1.53 times	1.85 times	1.70 times
Debt service coverage ratio	1.51 times	1.26 times	1.43 times	1.37 times

For the year ended December 31, 2014, the debt coverage ratios increased over the prior year mainly reflecting EBITDA from new developments/acquisitions and a reduction in one-time administrative costs incurred. For the three months ended December 31, 2014, the debt coverage ratios increased reflecting the positive effects of all of the refinancings and early refinancings that took place in 2014, a decrease in debenture interest expense as well as the repayment of the KEYreit bridge facility. The debt service coverage and interest coverage ratios exceed the requirements under borrowing arrangements and overall leverage is at the Trust's targeted leverage.

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Adjusted Funds from Operations (AFFO)

Plaza's summary of AFFO for the three and twelve months ended December 31, 2014, compared to the three and twelve months ended December 31, 2013 is presented below:

	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
(000s, except per unit amounts and percentage data)				
Basic FFO ⁽¹⁾	\$ 6,781	\$ 3,223	\$ 27,241	\$ 17,688
Add: Amortization of finance charges included in interest expense	313	891	2,151	2,472
Debt issuance costs	-	1,634	-	1,634
Principal repayment of tenant loans	40	64	186	312
Non-controlling interest adjustment	51	25	162	63
Less: Non-cash revenue – straight-line rent	(54)	(186)	108	(749)
Amortization of mark-to-market on debt assumed from KEYreit included in interest expense	(210)	(307)	(2,906)	(849)
Equity accounting adjustment	(6)	3	(16)	(61)
Maintenance capital expenditures – existing properties	(3)	(8)	(1,055)	(445)
Leasing costs – existing properties	(495)	(435)	(1,245)	(1,232)
Mortgage placement fees – existing properties	(230)	(227)	(532)	(337)
Basic and diluted AFFO	\$ 6,187	\$ 4,677	\$ 24,094	\$ 18,496
Basic and diluted AFFO per unit	\$ 0.067	\$ 0.055	\$ 0.263	\$ 0.249
Gross distributions to unitholders ⁽²⁾	5,550	4,406	21,957	16,018
AFFO after distributions	\$ 637	\$ 271	\$ 2,137	\$ 2,478
Distributions as a percentage of basic AFFO	89.7%	94.2%	91.1%	86.6%
Distributions as a percentage of basic FFO - adjusted	81.8%	90.7%	80.6%	82.9%

(1) See reconciliation of Basic FFO to profit attributable to unitholders in the FFO section of the MD&A above

(2) Excludes the distribution payable in January 2015, declared in December 2014, as an extra distribution was paid in February 2014 to reflect the conversion to a REIT structure on January 1, 2014 and the initiation of monthly distributions from quarterly dividends, so that unitholders would receive 12 cash payments in the year.

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A reconciliation of AFFO to operating cash flow is presented below:

	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
(000s)				
Operating cash flow	\$ 12,447	\$ 7,561	\$ 26,373	\$ 8,619
Add (deduct):				
Non-controlling interest adjustment	(187)	(192)	(768)	(942)
Equity accounting adjustment	432	445	1,803	1,706
Transaction related costs on acquisition of KEYreit excluding non-cash items	-	-	-	5,061
Principal repayment of tenant loans	40	64	186	312
Change in interest accrual	518	815	(1,142)	(115)
Change in income tax accrual	(1,026)	203	(1,060)	2,082
Refundable capital gain tax	(342)	(256)	(342)	(882)
Change in non-cash working capital	(5,047)	(3,293)	1,596	4,499
Maintenance capital expenditures – existing properties	(3)	(8)	(1,055)	(445)
Leasing costs – existing properties	(495)	(435)	(1,245)	(1,232)
Leasing commissions	80	-	280	170
Mortgage placement fees – existing properties	(230)	(227)	(532)	(337)
Basic and diluted AFFO	\$ 6,187	\$ 4,677	\$ 24,094	\$ 18,496

For the year ended December 31, 2014, AFFO increased by \$5.6 million, or 30.3% over the prior year, while AFFO per unit increased 5.6% over the prior year. The increase in AFFO per unit was mainly due to the increase in FFO. This was partly offset by higher maintenance capital expenditures, and higher mortgage placement fees incurred from a higher volume of loans placed.

For the three months ended December 31, 2014, AFFO increased by \$1.5 million, or 32.3% over the prior year, while AFFO per unit increased by 21.8% over the prior year. The increase in AFFO per unit was mainly due to the increase in FFO.

The current year-to-date payout ratios were impacted by one-time costs and taxes paid for the REIT conversion, unusual same-asset NOI variances for a property tax settlement and the harsh winter conditions as well as fees paid to discharge and refinance mortgages early, while the prior year-to-date payout ratios were impacted by one-time costs for the REIT conversion, the integration of KEYreit and the move to the TSX. Excluding the impact of the aforementioned, the FFO – adjusted and AFFO payout ratios would have been 76.2% and 85.6%, respectively, for the year ended December 31, 2014, compared to 77.3% and 80.5%, respectively, for the year ended December 31, 2013. The increase in the AFFO payout ratio compared to the prior year was mainly due to the higher maintenance capital expenditures and higher mortgage placement fees incurred as noted above.

The current quarter payout ratios were impacted by fees paid to discharge and refinance mortgages early, while the prior quarter payout ratios were impacted by one-time administrative costs mainly for the REIT conversion. Excluding the impact of the aforementioned, the FFO - adjusted and AFFO payout ratios would have been 79.8% and 87.3%, respectively, for the three months ended December 31, 2014, compared to 77.1% and 79.6%, respectively, for the three months ended December 31, 2013.

Same-Asset Net Property Operating Income

Same-asset categorization refers to those properties which were owned and operated by Plaza for the twelve months ended December 31, 2014 and the entire year ended December 31, 2013 and excludes partial year results from certain assets due to timing of acquisition, redevelopment or disposition.

Significant portions of the Trust's leases have common cost recoveries from tenants linked to the consumer price index (CPI). At December 31, 2014, approximately 46.3% of the Trust's leased area is tied to a CPI cost recovery formula. As well, certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal

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taxes are generally net and fully recoverable from all tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

(000s)	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
Same-asset rental revenue	\$ 14,866	\$ 14,687	\$ 58,826	\$ 58,121
Same-asset operating expenses	3,465	3,546	12,654	12,385
Same-asset realty tax expense	3,048	3,009	12,188	11,923
Same-asset net property operating income	\$ 8,353	\$ 8,132	\$ 33,984	\$ 33,813
Total net property operating income	\$ 14,663	\$ 15,779	\$ 59,787	\$ 52,487

As noted in the chart above, the NOI for the same-asset pool for the twelve months ended December 31, 2014 increased by \$171 thousand or 0.5% over the same period in the prior year. Same-asset NOI was impacted by several key factors. The increase was mainly due to improved occupancy in the portfolio. This was partly offset by a \$128 thousand decrease in lease termination fees, a property tax settlement of \$165 thousand in the current year and an increase in overall non-recoverable maintenance costs mainly due to the harsher than normal winter conditions.

NOI for the same-asset pool for the three months ended December 31, 2014, increased by \$221 thousand or 2.7% over the same period in the prior year. This was mainly due to an increase in occupancy.

The following table shows a breakdown of total net property operating income by entity.

(000s)	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
Plaza properties	\$ 9,725	\$ 10,012	\$ 38,706	\$ 37,873
KEYreit properties	4,938	5,767	21,081	14,614
Total net property operating income	\$ 14,663	\$ 15,779	\$ 59,787	\$ 52,487

Total NOI for the twelve months ended December 31, 2014 grew by \$7.3 million, or 13.9% due to the overall growth in investment properties, including the purchase of KEYreit. More specifically, total NOI was mainly impacted by:

- the full period impact of 8 properties either acquired or transferred to income producing status from properties under development in 2013, accounting for approximately \$1.3 million of the increase;
- the full period impact of 2 properties transferred to income producing status from properties under development in 2014, accounting for \$0.5 million of the increase;
- the full period impact of 1 property acquired in 2014, accounting for \$66 thousand of the increase;
- incremental NOI from the purchase of KEYreit of \$6.5 million, mainly due to timing of purchase in 2013;
- the same-asset pool increase of \$171 thousand, mentioned previously; and
- a decrease in NOI of \$0.9 million for three properties moved from income producing to redevelopments.

Total NOI for the three months ended December 31, 2014 dropped by \$1.1 million mainly due to the sale of properties within the KEYreit portfolio. More specifically, total NOI was mainly impacted by:

- the same-asset pool increase of \$221 thousand, mentioned previously;
- the decrease in NOI from KEYreit of \$0.8 million due to the sale of properties (included in the current quarter is NOI of approximately \$0.1 million for properties that were sold during the quarter); and
- a decrease in NOI of \$0.2 million for three properties moved from income producing to redevelopments (\$0.2 million of NOI from redevelopments is included in the quarter).

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The following table shows a breakdown of same-asset NOI by province.

	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
(000s, except percentage data)				
New Brunswick	\$ 2,438	\$ 2,304	\$ 10,124	\$ 9,887
Quebec	930	1,097	3,938	4,350
Nova Scotia	2,291	2,206	8,975	9,272
Ontario	296	298	1,186	1,185
Newfoundland and Labrador	1,277	1,210	5,234	4,990
Prince Edward Island	1,121	1,017	4,527	4,129
Same-asset net property operating income	\$ 8,353	\$ 8,132	\$ 33,984	\$ 33,813
Percentage increase over prior period	2.7%		0.5%	

The following assets are not included in “same-asset” measurements due to timing of acquisition, development, redevelopment or disposition.

	Property Type	Square Footage	Ownership	Income Producing/ Acquired or Redeveloped During
KEYreit portfolio	Single Use/Strip	1,083,065	100%	Q2 13
Beauport, Quebec City, QC	Single Use	2,925	100%	Q2 13
4999 Queen Mary Road, Montreal, QC	Strip Plaza	13,041	25%	Q2 13
210 Wyse Road, Dartmouth (Halifax), NS	Single Use	60,979	50%	Q2 13
Lansdowne Plaza Phase 1, Saint John, NB	Strip Plaza	102,780	100%	Q3 13
Commercial Street 2, New Minas, NS	Strip Plaza	9,525	100%	Q3 13
Plaza HDB, Boisbriand, QC	Strip Plaza	6,951	33%	Q3 13
1086 Lariviere, Rouyn-Noranda, QC	Single Use	2,700	100%	Q3 13
Plaza De L'Ouest (Phase 1), Sherbrooke, QC	Strip Plaza	69,923	50%	Q3 13
Oromocto Mall, Oromocto, NB	Enclosed	76,150	100%	Q4 13
Grand Falls Shopping Centre, Grand Falls, NB	Enclosed	103,552	100%	Q4 13
Les Promenades St-Francois, Laval, QC	Strip Plaza	60,451	100%	Q4 13
Champlain Street Plaza, Phase II, Dieppe (Moncton), NB	Strip Plaza	32,449	100%	Q1 14
Magog SP, Magog (Montreal), QC	Strip Plaza	76,097	50%	Q1 14
Starrs Road Plaza, Yarmouth, NS	Strip Plaza	73,789	100%	Q2 14
Galeries des Cantons, Coaticook, QC	Strip Plaza	40,608	50%	Q3 14
Fairville Phase III, Saint John, NB	Strip Plaza	3,375	100%	Q4 14
Total		1,818,360		

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Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2014 (excluding developments/redevelopments and non-consolidated investments).

Year	Strip Plazas		Enclosed Malls		Single-User		Total	
	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%
2015	317,123	10.3	94,540	13.7	25,695	2.2	437,358	8.8
2016	361,856	11.7	96,811	14.0	44,679	3.8	503,346	10.2
2017	210,488	6.8	115,158	16.7	76,507	6.5	402,153	8.1
2018	185,295	6.0	80,800	11.7	204,053	17.3	470,148	9.5
2019	235,240	7.6	93,459	13.5	19,504	1.7	348,203	7.0
Thereafter	1,776,300	57.6	210,784	30.4	808,419	68.5	2,795,503	56.4
Subtotal	3,086,302	100.0	691,552	100.0	1,178,857	100.0	4,956,711	100.0
Vacant	140,646		40,155		4,380		185,181	
Total	3,226,948		731,707		1,183,237		5,141,892	
Weighted average lease	6.8 years		4.2 years		7.9 years		6.7 years	

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

At December 31, 2014, overall committed occupancy for the portfolio (excluding properties under development/redevelopment and non-consolidated investments) increased to 96.4% from 94.8% at December 31, 2013. Same-asset occupancy was 95.9% at December 31, 2014, compared to 94.6% at December 31, 2013.

The weighted average contractual base rent per square foot on renewals/new leasing in 2014 and that is expiring in 2015 (excluding developments/redevelopments and non-consolidated investments) is outlined in the following table:

	Strip Plazas	Enclosed Malls	Single User	Total
<u>2014</u>				
Renewals/new leasing (sq. ft.)	428,663	190,293	34,292	653,248
Weighted average rent (\$/sq. ft.)	\$13.88	\$14.45	\$14.83	\$14.10
<u>2015</u>				
Expiries (sq. ft.)	317,123	94,540	25,695	437,358
Weighted average rent (\$/sq. ft.)	\$13.65	\$15.44	\$13.00	\$13.99

In addition, for the twelve months ended December 31, 2014, the Trust completed 232 thousand square feet of new leasing deals on developments and redevelopments at market rates and 79 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

On average, Plaza's embedded or contractual gross rents expiring in 2015 would be at or below current market rates. Plaza's financial exposure to vacancies and lease roll-overs differs among the different retail asset types, as gross rental rates differ dramatically by asset class.

- Occupancy in the strip plazas was 95.6% at December 31, 2014, compared to 94.1% at December 31, 2013.
- Average occupancy for enclosed malls was 94.5% at December 31, 2014, compared to 92.5% at December 31, 2013.
- Occupancy for single use assets was 99.6% at December 31, 2014, compared to 98.1% at December 31, 2013.
- Pre-leased space in properties in the development phase and in the construction phase is 72.3% at December 31, 2014.

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Plaza has built a portfolio with a high quality revenue stream. Plaza's ten largest tenants based upon current monthly base rents at December 31, 2014 represent approximately 57.9% of total base rent revenues in place.

% of Base Rent Revenue		% of Base Rent Revenue	
1. Shoppers Drug Mart	25.0	6. Canadian Tire Group ⁽³⁾	2.7
2. KFC ⁽¹⁾	12.1	7. Pharma Plus	2.0
3. Dollarama	4.5	8. TJX Group ⁽⁴⁾	1.9
4. Sobeys Group ⁽²⁾	3.3	9. Best Buy/Future Shop	1.8
5. Staples	2.9	10. Reitmans Group ⁽⁵⁾	1.7

(1) Represented by 6 tenants.

(2) Sobeys Group represents the following stores: Sobeys, IGA and Sobeys Fast Fuel.

(3) Canadian Tire Group represents the following stores: Canadian Tire, Mark's Work Wearhouse and Sport Chek.

(4) TJX Group represents the following stores: Winners and Marshalls.

(5) Reitmans Group represents the following stores: Reitmans, Penningtons, Smart Set and Dalmy's.

The Trust's mix of tenancy, based on square footage, is primarily made up of national tenants. The portfolio is well positioned to resist downturns in its markets and provide stability to cash flows from which it funds operations and distributions.

	December 31, 2014	December 31, 2013
National	90.6%	89.2%
Regional	4.0%	3.1%
Local	4.2%	7.1%
Non-Retail	1.2%	0.6%

Profit and Total Comprehensive Income for the Period

The Trust recorded profit and total comprehensive income for the year ended December 31, 2014 of \$85.4 million compared to a loss of \$13.1 million for the same period in the prior year. The increase was impacted by all of the same factors mentioned in the discussion of FFO previously, as well as:

- the recording of a deferred income tax recovery of \$57.3 million, to reflect the flow-through tax status of Plaza as a REIT, whereby taxes are only recorded for taxable corporate subsidiaries;
- a net loss from non-cash fair value adjustments to investment properties of \$24.1 million in the prior year, compared to a loss of \$0.2 million in the current year;
- transaction related costs on acquisition of KEYreit of \$9.1 million recorded in the prior year; and
- debenture issuance costs of \$1.6 million recorded in the prior year.

These were partly offset by:

- a net loss from the non-cash fair value adjustment to convertible debentures of \$0.5 million compared to a net gain of \$1.6 million in the same period in the prior year.

The Trust recorded a profit and total comprehensive income for the three months ended December 31, 2014, of \$14.2 million compared to a loss of \$11.4 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

- an increase in non-cash fair value adjustments to investment properties and investments; and
- debenture issuance costs of \$1.6 million recorded in the prior year.

These were partly offset by:

- the recording of a deferred income tax expense of \$2.5 million compared to a deferred income tax recovery of \$3.6 million in the same period in the prior year.

Share of Profit of Associates

Share of profit of associates consists of income from equity and cost-accounted investments as well as fair value changes in the underlying investment properties included within equity-accounted investments and other changes to the equity position of the equity-accounted investments that would impact the residual returns on wind-up (such as debt financing incurred). The following schedule shows Plaza's ownership position, rates of preferred returns on investment and Plaza's interest in cash on capital appreciation beyond the preferred returns.

	Ownership Position	Preferred Return	Residual Return
Equity Accounted Investments⁽¹⁾			
Centennial Plaza Limited Partnership	10%	10%	20%
Trois Rivières Limited Partnership	15%	10%	30%
Plazacorp – Shediak Limited Partnership	10%	8%	50%
Plazacorp Ontario1 Limited Partnership	25%	4%	25%
Plazacorp Ontario2 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario3 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario4 Limited Partnership	50%	n/a	n/a
RBEG Limited Partnership	50%	n/a	n/a
CPRDL Limited Partnership	50%	n/a	n/a
Fundy Retail Limited	50%	n/a	n/a
VGH Limited Partnership ⁽²⁾	20%	8%	27%
Ste. Hyacinthe Limited Partnership ⁽²⁾	25%	n/a	n/a
Cost Accounted Investments⁽¹⁾			
Northwest Plaza Commercial Trust	10%	n/a	n/a

⁽¹⁾ Equity and cost accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Place Du Marche and BPK Levis (Centennial Plaza Limited Partnership); Plaza des Recollets (Trois Rivières Limited Partnership); Shediak West (Plazacorp – Shediak Limited Partnership); Ottawa Street Almonte, Hastings Street Bancroft and Main Street Alexandria (Plazacorp Ontario1 Limited Partnership); Amherstview and Scugog Street Port Perry (Plazacorp Ontario2 Limited Partnership); King & Mill (Plazacorp Ontario3 Limited Partnership); Manotick (Plazacorp Ontario4 Limited Partnership); Bureau en Gros (RBEG Limited Partnership); CPRDL (CPRDL Limited Partnership); Gateway Mall (Fundy Retail Limited); St. Jerome (VGH Limited Partnership); 5400 Laurier Ouest (Ste. Hyacinthe Limited Partnership); and the Northwest Centre (Northwest Plaza Commercial Trust).

⁽²⁾ The land within this partnership is currently in development.

Share of profit of associates for the year ended December 31, 2014 includes Plaza's share of NOI of approximately \$3.1 million. Share of profit of associates increased by \$0.9 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was mainly due to the increase in the non-cash fair value adjustment of the underlying investment properties due mainly to an increase in NOI from the properties.

Share of profit of associates for the three months ended December 31, 2014 includes Plaza's share of NOI of approximately \$0.8 million. Share of profit of associates increased by \$2.1 million for the three months ended December 31, 2014 compared to the three months ended December 31, 2013. The increase was mainly due to the increase in the non-cash fair value adjustment of the underlying investment properties due mainly to an increase in NOI from the properties.

Distributions received from associates for the year ended December 31, 2014 were \$1.3 million compared to \$1.3 million for the year ended December 31, 2013 (excluding the final distribution to the partners on the sale of Marché de L'Ouest). Distributions received from associates for the three months ended December 31, 2014 were \$289 thousand compared to \$284 thousand for the three months ended December 31, 2013.

Finance Costs

Finance costs for the year ended December 31, 2014 were \$27.2 million, compared to \$28.8 million for the same period in the prior year. The decrease in finance costs was mainly due to debenture issuance costs recorded in the prior year of \$1.6 million. Excluding the debenture issuance costs, finance costs were consistent with the prior year. Finance costs for the current year were impacted by:

- (i) \$0.6 million in fees paid to discharge and refinance mortgages early; and
- (ii) higher interest on mortgages due to the full year impact of KEYreit and new mortgages entered into during the year.

These were offset by:

- (i) higher amortization of the mark-to-market on KEYreit mortgage debt due to write-offs from sales of properties and early refinancings or extensions of three KEYreit mortgages;
- (ii) a reduction in interest paid on the KEYreit bridge facility which was repaid in May 2014; and
- (iii) interest rate savings on refinancings at better rates.

Finance costs for the three months ended December 31, 2014, were \$6.9 million, compared to \$10.4 million for the same period in the prior year. The decrease was due to:

- (i) debenture issuance costs in the prior year of \$1.6 million;
- (ii) lower debenture interest due to the conversion and redemption of prior series of debentures;
- (iii) lower KEYreit bridge loan interest due to the fact that the bridge loan was repaid in May 2014; and
- (iv) interest rate savings on refinancings at better rates.

Change in Fair Value of Investment Properties

The Trust recorded a fair value decrease to investment properties of \$228 thousand for the year ended December 31, 2014 compared to a \$24.1 million decrease for the year ended December 31, 2013. For the three months ended December 31, 2014, the Trust recorded a fair value increase to investment properties of \$7.9 million compared to an \$18.1 million decrease in the prior year. The weighted average capitalization rate at December 31, 2014 was 7.13% which is 5 basis points higher than December 31, 2013. The weighted average capitalization rate and the change in fair value was impacted by the sales of properties at lower capitalization rates. The decrease in fair value loss was also impacted by NOI increases and decreased capitalization rates for many of the Trust's properties. At December 31, 2014 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$32.7 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$30.5 million.

Change in Fair Value of Convertible Debentures

The convertible debentures are publicly traded and their fair values are based on their traded prices.

The fair value adjustment to convertible debentures for the three and twelve months ended December 31, 2014 was a net gain of \$0.3 million and a net loss of \$0.5 million, respectively, compared to a net gain of \$0.3 million and a net gain of \$1.6 million, respectively, in the prior year.

Administrative Expenses

Administrative expenses increased by \$455 thousand for the year ended December 31, 2014, compared to the same period in the prior year mainly due to: an increase in net salary expense (mainly as a result of annual salary increases and head count) of approximately \$1.1 million; the salaries and office expenses related to the acquisition of KEYreit, which were incurred for the entire year in 2014 and only from the date of acquisition of May 16, 2013 in the prior year, of approximately \$0.3 million; and approximately \$497 thousand in one-time costs incurred for the REIT conversion and post-closing matters in the current year, compared to one-time costs of \$1.4 million incurred in the prior year for the integration of KEYreit, the graduation to the TSX and the REIT conversion.

Administrative expenses for the three months ended December 31, 2014, were \$2.0 million, compared to \$2.7 million for the same period in the prior year. In the prior year there were \$856 thousand in one-time expenses incurred mainly for the REIT

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conversion. This was partly offset in the current year by an increase of \$0.2 million in salary expense mainly due to regular salary increases and head count.

Income Tax Expense

As a result of the REIT conversion and the fact that Plaza is now a flow-through entity for tax purposes, income taxes are only recorded for taxable corporate subsidiaries.

	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
(000s)				
Current income taxes	\$ (393)	\$ (197)	\$ (124)	\$ (761)
Deferred income taxes	2,540	(3,553)	(57,296)	668
Total income tax expense (recovery)	\$ 2,147	\$ (3,750)	\$ (57,420)	\$ (93)

The current income tax recovery recorded for the three and twelve months ended December 31, 2014, reflects \$0.3 million in refunds of provincial capital gains tax on sales of properties. Also reflected in the twelve month current income taxes was \$160 thousand in one-time taxes paid on behalf of unitholders, relating to the various steps in the plan of arrangement on the conversion to a REIT structure.

The impact of the change in the tax status as a result of the conversion to a REIT has been recorded as a deferred tax recovery in the year ended December 31, 2014 (amounting to \$59.7 million).

Acquisitions/Dispositions

During the year ended December 31, 2014, the Trust acquired land for development in Timmins, ON for \$1.1 million, of which the Trust owns an 80% interest. The Trust purchased a vacant property in Fredericton, NB for \$1.5 million for redevelopment, land in Fredericton, NB for \$2.8 million and land in Sydney, NS for \$0.8 million. The latter two parcels of land which were purchased had been leased previously under land lease agreements with third parties. The Trust also purchased an income producing property in Coaticook, QC for \$2.1 million. The trust also acquired a 25% ownership interest in a 2,600 square foot single use property for redevelopment in St. Hyacinthe, QC for \$250 thousand. This property is accounted for using the equity method and is included in "investments" in the statement of financial position.

Subsequent to year end, Plaza closed the purchase of interests of several of its equity partners in eight properties located in New Brunswick and Prince Edward Island. The net purchase price (after assumption of debt) of \$6.1 million was satisfied by the issuance of 1,319,000 exchangeable LP units of a subsidiary LP at a price of \$4.60 per unit, which are exchangeable at any time into units of Plaza on a one-for-one basis. Plaza owned interests in each of the eight properties of between 43% and 85%, and now owns between 86% and 100% of each.

During the year ended December 31, 2014, the Trust disposed of surplus land in Sussex, NB for net proceeds of \$149 thousand and land in Dartmouth, NS for net proceeds of \$377 thousand. The Trust also sold income producing properties from the KEYreit portfolio for net proceeds of \$46.7 million in Lloydminster, AB, Okotoks, AB, Vancouver, BC, Liverpool, NS, Brantford, ON, Carleton Place, ON, Chatham, ON, Cobourg, ON, Hawkesbury, ON, London, ON, Oshawa, ON, Ottawa, ON, Pembroke, ON, Peterborough, ON, Sudbury, ON, Toronto, ON, Windsor, ON, Ste. Hyacinthe, QC, Levis, QC, Longueuil, QC, Magog, QC, Montreal, QC and Roberval, QC. This is approximately \$10.1 million more than the Trust underwrote the properties for when it bought KEYreit.

In January 2015, the Trust sold a property from the KEYreit portfolio in Drayton Valley, AB for gross proceeds of \$550 thousand.

Subsequent to year end, conditions were waived by the purchaser for the sale of a property located in Oshawa, ON. The sale is expected to close in March 2015. Total gross proceeds for the sales are \$850 thousand.

Since the acquisition of KEYreit to the date of this MD&A and including the two properties for which conditions have been waived, the Trust has sold 45 non-core KEYreit income producing properties for net proceeds of approximately \$60.3 million, which is approximately \$15.1 million more than the Trust underwrote these properties for when it bought KEYreit.

OUTLOOK

Plaza's acquisition, development and leasing efforts over the years have produced a property portfolio that is dominated by national retailers and provides investors with a very stable cash flow. Performance to date has demonstrated the strength of its strategies and operating capabilities. Barring unforeseen events, management believes it can deliver solid performance in 2015, as well as growth to the portfolio. The primary benefit to unitholders of the Trust's performance and tenant profile is reliable cash flow and, over time, increasing distributions. Plaza's current distribution policy is to pay unitholders 25.0¢ per unit for fiscal 2015.

Plaza has taken advantage of the robust debt markets this year and undertaken a significant refinancing program, the benefits of which are starting to be seen in terms of Plaza's results. For the year ended December 31, 2014, Plaza secured or refinanced approximately \$165 million in mortgage loans and convertible debentures (at Plaza's ownership percentage), generating approximately \$1.4 million in annual cash flow savings or approximately \$0.015 per unit.

In terms of Plaza's development pipeline, Plaza currently owns an interest in the following projects under development or redevelopment which, upon completion, are expected to be accretive to the Trust's earnings. The following properties are under construction, active development or active planning and are anticipated to be completed at various points over the next three years as follows:

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Properties under development/redevelopment	Property Type	Status	Square Footage ⁽¹⁾	Ownership	Occupied or Committed at December 31, 2014	Completed
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning	6,000	50%	n/a	2016
Plaza de L'Ouest, Sherbrooke, QC – Phase II	Strip Plaza	In Construction	18,000	50%	73%	Q1 2015
Plaza de L'Ouest, Sherbrooke, QC – Phase III	Strip Plaza	In Planning	80,000	50%	n/a	2-3 years
Fairville Boulevard – Phase III, Saint John, NB	Strip Plaza	In Planning	24,000	100%	n/a	1-2 years
Oromocto Mall, Oromocto, NB ⁽²⁾⁽⁴⁾	Strip Plaza	In Construction	86,025	100%	100%	Q2 2015
Grand Falls Shopping, Centre, Grand Falls, NB ⁽²⁾⁽⁴⁾	Strip Plaza	In Construction	133,998	100%	84%	Q1 2015
St. Jerome, St. Jerome (Montreal), QC - Phase I ⁽³⁾	Strip Plaza	In Construction	21,290	20%	91%	Q2 2015
St. Jerome, St. Jerome (Montreal), QC -Phase II ⁽³⁾	Strip Plaza	In Planning	56,500	20%	85%	Q4 2015
St. Jerome, St. Jerome (Montreal), QC -Phase III ⁽³⁾	Strip Plaza	In Planning	120,000	20%	n/a	2-3 years
Champlain Plaza II, Dieppe (Moncton), NB	Strip Plaza	In Planning	60,000	100%	n/a	Q2 2015
Lansdowne Place Phase II, Saint John, NB	Strip Plaza	In Planning	60,000	100%	n/a	2016
Plaza Chemin Chambly, Longueuil (Montreal), QC ⁽⁴⁾	Strip Plaza	In Construction	39,431	100%	100%	Q3 2015
Riverside Drive Plaza, Timmins, ON	Strip Plaza	In Construction	35,167	80%	83%	Q1 2015
Starrs Rd., Yarmouth, NS ⁽⁴⁾	Strip Plaza	In Construction	45,000	100%	100%	Q3 2015
413 Coverdale Road Riverview, NB ⁽⁴⁾	Single Use	In Construction	4,000	100%	100%	Q1 2015
960 Cole Harbour Rd, Dartmouth (Halifax), NS ⁽⁴⁾	Single Use	In Planning	4,000	100%	100%	Q4 2015
9 James St., Antigonish, NS ⁽⁴⁾	Single Use	In Planning	3,000	100%	n/a	2015
Lakeshore Blvd., Toronto, ON ⁽⁴⁾	Single Use	In Planning	2,000	100%	100%	Q3 2015
280 Main St, Fredericton, NB	Strip Plaza	In Planning	30,000	100%	n/a	Q4 2015
Beauport, Beauport, QC ⁽⁴⁾	Single Use	In Planning	3,000	100%	n/a	Q3 2015
St. Charles, Kirkland, QC ⁽⁴⁾	Single Use	In Planning	3,000	100%	n/a	Q4 2015
274 North Front St., Belleville, ON ⁽⁴⁾	Single Use	In Planning	2,500	100%	100%	Q4 2015
Total			836,911			

⁽¹⁾ Approximate square footage.

⁽²⁾ This is an existing mall that is being de-malled.

⁽³⁾ This is owned in a limited partnership that is part of the Trust's non-consolidated trusts and partnerships.

⁽⁴⁾ This is an existing property being redeveloped.

There is excess density and expansions at existing properties that the Trust plans to develop in the short term which would represent approximately 44 thousand additional square feet at completion. The Trust is currently developing approximately 6 thousand square feet of the 44 thousand additional square feet.

At December 31, 2014, there were two conditional land assemblies which are under purchase agreements and are subject to due diligence or other conditions. These land assemblies will represent 185 thousand additional square feet of retail space at

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completion (at the Trust's proposed ownership percentage). Subsequent to year end, conditions were waived on one of these land assemblies, representing approximately 25 thousand square feet of retail space.

At the date of this MD&A, there were two properties for redevelopment which are under purchase agreements and are subject to due diligence or other conditions. These properties will represent approximately 130 thousand additional square feet of retail space after redevelopment (at the Trust's ownership percentage). Subsequent to year end, conditions were waived on one of these properties, representing approximately 80 thousand square feet of retail space.

The total estimated costs for the developments and redevelopments (noted in the chart above), the excess density being developed and the firm land assembly are between \$60.0 million and \$70.0 million, of which approximately \$31.0 million has already been spent to-date (at the Trust's ownership percentage).

The Trust also benefits from growth stemming from contractual rental rate increases from existing tenants' leases.

PART III

SUMMARY OF SELECTED QUARTERLY INFORMATION

Plaza's summary of selected quarterly information for the last eight quarters is presented below:

(000s except per unit and percentage data) (unaudited)	Q4'14	Q3'14	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Q1'13
Total revenue ⁽¹⁾	\$25,844	\$24,922	\$23,518	\$24,169	\$ 24,406	\$ 24,145	\$ 20,363	\$ 17,279
Profit (loss) and total comprehensive income (loss)	\$14,248	\$9,906	\$(4,273)	\$ 65,564	\$(11,375)	\$ 1,708	\$(11,905)	\$ 8,507
Distributions per unit	6.00¢	6.00¢	6.00¢	6.00¢	5.625¢	5.625¢	5.625¢	5.625¢
Funds from operations per unit – basic and diluted ⁽²⁾	7.3¢	8.9¢	7.6¢	5.9¢	5.7¢	7.2¢	6.9¢	6.3¢
Adjusted funds from operations per unit – basic and diluted ⁽²⁾	6.7¢	7.1¢	6.6¢	5.9¢	5.5¢	6.8¢	6.7¢	5.9¢
Distributions as a percentage of basic FFO	81.8%	67.4%	79.0%	101.7%	90.7%	78.3%	74.9%	89.5%
Distributions as a percentage of basic AFFO	89.7%	85.1%	90.3%	101.3%	94.2%	82.3%	77.0%	95.3%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	5,142	5,168	5,197	5,151	5,200	5,415	5,192	3,887
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	96.4%	96.3%	95.9%	95.7%	94.8%	94.9%	94.9%	94.7%

⁽¹⁾ Includes investment income, other income and share of profit of associates.

⁽²⁾ Adjusted for debenture issuance costs if applicable.

During the last eight quarters occupancy has remained high which contributes to stability of cash flow. Significant fluctuations in profit and loss are mainly due to non-cash fair value adjustments on the Trust's investment properties and convertible debentures, as well as the 2013 KEYreit acquisition. Fair value adjustments are based on market parameters for which the Trust has no control or ability to predict. The current year was also significantly impacted by \$59.7 million in a deferred income tax recovery recorded for the change in tax status to a REIT on January 1, 2014.

Some of Plaza's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs. At December 31, 2014, approximately 46.3% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (CAM) cost recoveries. As a result of both of these factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs and yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

PART IV**OPERATING LIQUIDITY AND WORKING CAPITAL**

Cash flow, in the form of recurring rent generated from the portfolio, represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to pay operating, leasing and property tax costs, and to fund distributions. Costs of development activities, which form a large portion of accounts payable and accrued liabilities, are funded by a combination of debt, equity and operating cash flow.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, and efficiencies in operations as well as other factors.

Plaza's cash distribution policy generally reflects repayment of recurring mortgage principal amortization from cash flow in determining cash available for distribution. New debt or equity capital raised is generally directed to acquisitions or continuing development activities, which are discretionary, based on the availability of such capital.

In accordance with National Policy 41-201 – *Income Trusts and Other Indirect Offerings*, the Trusts are required to provide the following additional disclosure relating to cash distributions.

(in thousands of dollars)	Three months ended December 31, 2014⁽¹⁾ (unaudited)	Year ended December 31, 2014⁽¹⁾
Cash provided by operating activities ⁽²⁾	\$ 12,447	\$ 26,373
Total distributions ⁽³⁾	\$ 5,550	\$ 23,808
Excess of cash provided by operating activities over total distributions	\$ 6,897	\$ 2,565

⁽¹⁾ Information is only provided for 2014 as the Trust became a REIT on January 1, 2014.

⁽²⁾ Cash provided by operating activities is presented net of interest paid.

⁽³⁾ Total distributions include cash distributions paid and payable to unitholders, and unit distributions under the DRIP.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Plaza has taken advantage of the robust debt markets this year and undertaken a significant refinancing program, including refinancing almost half of its assumed KEYreit loans. Plaza has early refinanced on more favourable terms, many mortgages that were originally set to mature in 2015, 2016 and 2017. During the year ended December 31, 2014, Plaza secured or refinanced approximately \$165 million in mortgage loans and convertible debentures (at Plaza's ownership percentage), generating approximately \$1.4 million in annual cash flow savings or approximately \$0.015 per unit.

Plaza expects to achieve two other main goals from this refinancing exercise. First, it will smooth out its mortgage maturity profile. Second, it is creating smaller, more manageable sized loans for the KEYreit portfolio. Both of these goals serve to reduce interest rate and financing related risk.

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Operating and Development Facilities

(000s)	\$30.0 Million Operating	\$20.0 Million Development	\$15.0 Million Development
December 31, 2013 ⁽¹⁾	\$ -	\$ 12,261	\$ 7,007
Net Change	6,155	(12,261)	(2,007)
December 31, 2014 ⁽¹⁾	\$ 6,155	\$ -	\$ 5,000
Interest rate	Prime + 1.00% or BA + 2.25%	Prime + 1.00% or BA + 2.75%	Prime + 1.00% or BA + 2.25%
Maturity	July 31, 2015	July 31, 2015	July 31, 2015
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service, occupancy & leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$500 thousand
Issued and outstanding	\$20 thousand	-	-

⁽¹⁾ Excludes unamortized finance charges

Funding is secured by first mortgage charges on properties or development properties as applicable. The Trust must maintain certain financial ratios to comply with the facilities. As of December 31, 2014, all debt covenants in respect of the above facilities have been maintained.

Bridge Facility

On May 7, 2014, the Trust paid in full the one-year secured bridge credit facility which was originally entered into in order to fund the acquisition of KEYreit and related costs.

On September 11, 2014, the Trust entered into a one-year secured bridge credit facility with a Canadian chartered bank for \$30 million. The facility was entered into in order to repay an existing mortgage on those secured assets and allow the Trust to refinance those assets. The facility is extendible for six months at the Trust's request and with the lender's consent. Prepayment of the facility may be made in whole or in part at any time without penalty. Interest is payable at prime plus 1.0% or BAs plus 2.25%. The Trust expects to refinance the assets subject to this bridge by the end of March 2015.

Debentures and Mortgage Bonds

Mortgage bonds are secured by either property or cash.

Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss.

On January 7, 2014, the Trust redeemed all of the 7.75% Series A convertible debentures for cash. Proceeds from the issue of the 5.75% Series D debentures in 2013 were used to redeem the Series A debentures. Net annual cash flow savings from the redemption are approximately \$320 thousand.

On February 11, 2014, the Trust issued a redemption notice to Series VI convertible debenture holders to redeem all of the Series VI convertible debentures on April 1, 2014. All of the holders of the remaining \$15.2 million of Series VI convertible debentures exercised their option to convert to 4.0 million units.

In July 2014, the Trust closed \$3.0 million in first mortgage bonds on properties located in Levis, QC, Montreal, QC, and two properties in Saint John, NB. These bonds have a three year term and an interest rate of 5.5%.

The Trust extended the maturity date of Series VII mortgage bonds for one year until August 2015.

Mortgages

During 2014 the Trust obtained new long-term financing in the amount of \$80.4 million (at Plaza's consolidated share) with a weighted average term of 11.0 years and a weighted average interest rate of 4.25%. The Trust also extended two mortgages on more favourable terms with the existing lenders, one for \$689 thousand for the remaining term of 2.3 years at an interest rate of 6.00% replacing an interest rate of 7.00%; and another for \$18.4 million for a term of 5 years at an interest rate of 4.40% and a 25 year amortization replacing an interest rate of 4.47% and a 20 year amortization. The Trust also extended and increased two mortgages on more favourable terms with the existing lenders, one for \$7.3 million for a 10 year term at an interest rate of 4.22% and a 25 year amortization, replacing an interest rate of 5.20% and a 21.5 year amortization, and one for \$0.7 million for a 10 year term at an interest rate of 3.65% and a 30 year amortization, replacing an interest rate of 5.83% and a 20 year amortization.

The Trust entered into a loan on the acquisition of an income producing property in Coaticook, QC of \$1.6 million.

In July 2014, long term refinancing was obtained on Northwest Centre, Moncton, NB in the amount of \$20 million with a 15 year term and an interest rate of 4.48%. The Trust indirectly owns a 10% interest in this property. The former mortgage was defeased.

The Trust has a \$7.0 million variable rate secured construction loan on one of its development projects that is being constructed in Quebec in phases (of which the Trust's share is 50% as it has a 50% ownership interest in the development project securing the loan). The loan bears interest at prime plus 1.25% and matures in June 2017. At December 31, 2014, nil has been drawn on the loan (at the Trust's ownership percentage).

The Trust also has a \$4.4 million variable rate secured construction loan on one of its development projects that is being constructed in Ontario. The loan bears interest at prime plus 1.00% and matures in August 2015. At December 31, 2014, \$1.9 million has been drawn on the loan.

In 2014, the Trust defeased \$8.2 million of mortgages at a weighted average interest rate of 5.37% and a weighted average amortization period of 29.2 years, and obtained new long term financing in the amount of \$11.1 million with a weighted average interest rate of 3.97% and a weighted average amortization period of 30 years.

The Trust's strategy is to balance maturities and terms on new debt with existing debt maturities to minimize maturity exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on market conditions at the time of refinancing. Plaza's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets being financed, at current market rates, in order to stabilize cash flow available for reinvestment and distribution payments.

As a conservative interest rate risk management practice, the Trust's use of floating-rate debt is generally limited to its operating line (to fund ongoing operations and acquisitions) and its development lines/construction loans.

The following is a maturity chart by year:

(000s, except percentage data)	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	After 5 Years	Total
Long-term mortgages due at maturity	\$15,955	\$42,132	\$34,334	\$18,862	\$39,056	\$188,726	\$339,065
Variable rate construction loan	1,845	-	-	-	-	-	1,845
Development lines of credit	5,000	-	-	-	-	-	5,000
Bridge facility	27,600	-	-	-	-	-	27,600
Bank operating facility	6,155	-	-	-	-	-	6,155
Total	\$56,555	\$42,132	\$34,334	\$18,862	\$39,056	\$188,726	\$379,665
As a percentage	14.9%	11.1%	9.0%	5.0%	10.3%	49.7%	100.0%
Weighted average expiring rate on long-term mortgages	5.91%	5.32%	5.36%	5.95%	3.88%	4.59%	

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The weighted average term to maturity for the long-term mortgages is 6.7 years, up from December 31, 2013 of 5.7 years. The average remaining repayment (amortization) period on long-term mortgage debt is 24.5 years.

The ratio of debt to gross book assets at December 31, 2014 (excluding convertible debentures) is 48.6% compared to 48.6% at December 31, 2013. Including convertible debentures, Plaza's debt to gross assets at December 31, 2014 is 54.9% compared to 58.0% at December 31, 2013. The Trust's general philosophy is to maintain its leverage at no more than approximately 50% excluding convertible debentures and approximately 55% including convertible debentures. By its Declaration of Trust, Plaza is limited to an overall indebtedness ratio of 60% excluding convertible debentures and 65% including convertible debentures.

Units Outstanding

If all rights to convert units under the provisions of convertible debt were exercised and exchangeable LP units were exchanged, the impact on units outstanding would be as follows:

At February 26, 2015 (000s)	Units
Current outstanding units	92,609
Exchangeable LP units	1,319
Series B convertible debentures	1,547
Series C convertible debentures	3,215
Series D convertible debentures	5,913
Total adjusted units outstanding	104,603

Land Leases

Return on invested cash or equity is a measure Plaza uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall unitholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plaza has 26 long-term land leases (affecting 25 properties) with total annual rent of \$3.1 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9.8% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options. Of the 26 land leases, 10 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

	3 Months Ended December 31, 2014 (unaudited)	3 Months Ended December 31, 2013 (unaudited)	12 Months Ended December 31, 2014	12 Months Ended December 31, 2013
(000s)				
Leasing fees – existing properties	\$ 26	\$ (12)	\$ 178	\$ 48
Leasing fees – redevelopment properties	26	12	52	20
Leasing fees – new developments	28	-	50	102
Total leasing fees	80	-	280	170
Capital additions – existing properties	472	455	2,122	1,629
Capital additions – redevelopment properties	1,430	791	12,815	2,386
Capital additions – new developments	6,648	6,007	21,458	32,302
Total capital additions	8,550	7,253	36,395	36,317
Total gross additions	\$ 8,630	\$ 7,253	\$ 36,675	\$ 36,487

COMMITMENTS AND CONTINGENT LIABILITIES

The Trust has \$14.5 million in short-term commitments in respect of development activities. Management believes that Plaza has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments.

The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of properties where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2014 totals \$5.9 million with a weighted average remaining term of 8.1 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$20.3 million.

PART V**RISKS AND UNCERTAINTIES**

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At December 31, 2014, the Trust held interests in 309 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 25 to the December 31, 2014 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 25, 2014 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

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

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The Trust mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. At existing financing rates, the Trust is able to obtain positive returns from debt financing. The quality of the Trust's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Trust has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management believes that all debts maturing in 2015 will be able to be financed or refinanced as they come due.

Credit Risk

Credit risk mainly arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plaza's tenant mix is diversified and heavily weighted to national tenants. Plaza also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently one tenant, Shoppers Drug Mart, represents 25.0% of current monthly base rents in place. The top 10 tenants collectively represent approximately 57.9% of current monthly base rents in place. National and regional tenants represent 94.6% of the in-place tenant base.

Lease Roll-Over and Occupancy Risk

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

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

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

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately \$630 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. Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

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

Environmental Risk

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

Status of the REIT

Plaza is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its mutual fund trust status. Should Plaza cease to qualify as a mutual fund trust, the consequences could be material and adverse. As well, Plaza conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flow-through vehicle for the particular year. Should Plaza not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions, and its distributable cash may be materially reduced. Management believes that it complies with both the mutual fund trust rules and the REIT rules.

PART VI**RELATED PARTY TRANSACTIONS****Notes Payable to Related Parties**

The following non-interest bearing notes 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.

(000s)	Interest Rate	December 31, 2014	December 31, 2013
Non-interest bearing notes:			
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and Trustee of the Trust	n/a	\$ 261	\$ 261

Bonds and Debentures Held

The Trustees directly or indirectly held mortgage bonds or debentures of the Trust as follows (stated at face value):

(000s)	December 31, 2014	December 31, 2013
Earl Brewer	\$ 219	\$ 219
Edouard Babineau	250	350
Michael Zakuta	250	670
Stephen Johnson	-	750
Total	\$ 719	\$ 1,989

Other key management personnel own \$45 thousand in mortgage bonds of the Trust at December 31, 2014 (December 31, 2013 - \$45 thousand).

Other Related Party Transactions

Earl Brewer and Michael Zakuta, directly or beneficially, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. At December 31, 2014 there is an outstanding receivable of \$5 thousand owed by the Gateway Mall to a subsidiary of the Trust.

TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plaza at a total annual rent of \$1.1 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value. The business purpose of the leases was to enhance levered equity returns on the affected assets.

Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of the Northwest Centre, Moncton, NB. There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.

Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) manages 527 Queen Street, Fredericton, NB a property owned indirectly by Michael Zakuta and Earl Brewer. For the year ended December 31, 2014, property management fees of \$20 thousand were earned by Plaza Group Management Limited from this property.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Trust maintains appropriate DC&P and ICFR to ensure that information disclosed externally is complete, reliable and timely.

A control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management’s assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Chief Executive Officer and the Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design and operating effectiveness of the Trust’s DC&P and ICFR at December 31, 2014. Based on that evaluation they determined that the Trust’s DC&P and ICFR were appropriately designed and were operating effectively based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the year ended December 31, 2014, there were no changes in the Trust’s ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Trust’s ICFR.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

The preparation of the Trust’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include the assessment of fair values, the discount rates used in the valuation of the Trust’s assets and liabilities, capitalization rates, the relative credit worthiness of the Trust to its counterparties, the ability to use tax losses and other tax measurements, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize to properties under development and the selection of accounting policies.

(i) Investment properties

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Trust or by external valuers. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2014, and have not been applied in preparing the Consolidated Financial Statements. Please see Note 3 to the Consolidated Financial Statements for further details about future accounting policy changes.

ADDITIONAL INFORMATION

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

PROPERTIES OF THE TRUST

A chart listing the Trust's properties at December 31, 2014 can be accessed on the Plaza website www.plaza.ca.

APPENDIX A
FOURTH QUARTER 2014 INCOME RESULTS
(Unaudited)

Consolidated Statements of Comprehensive Income (Loss)

(000s) (unaudited)	3 Months Ended December 31, 2014	3 Months Ended December 31, 2013
Revenues	\$ 23,448	\$ 24,414
Operating expenses	(8,785)	(8,635)
Net property operating income	14,663	15,779
Share of profit (loss) of associates	1,692	(381)
Administrative expenses	(1,954)	(2,722)
Investment income	74	90
Other income	630	283
Income before finance costs, fair value adjustments and income taxes	15,105	13,049
Finance costs	(6,883)	(8,739)
Finance costs – debenture issuance costs	-	(1,634)
Finance costs – net gain from fair value adjustments to convertible debentures	252	266
Net gain (loss) from fair value adjustments to investment properties	7,921	(18,067)
Profit (loss) before income tax	16,395	(15,125)
Income tax recovery (expense)		
- Current	393	197
- Deferred	(2,540)	3,553
	(2,147)	3,750
Profit (loss) and total comprehensive income (loss) for the period	\$ 14,248	\$ (11,375)
Profit (loss) and total comprehensive income (loss) for the period attributable to:		
- Unitholders/shareholders	\$ 15,017	\$ (9,204)
- Non-controlling interests	(769)	(2,171)
	\$ 14,248	\$ (11,375)

Plaza Retail REIT

To the Unitholders of Plaza Retail REIT

The accompanying consolidated financial statements and information contained in the Annual Report have been prepared by, and are the responsibility of, the management of the Trust. The financial statements have been prepared within accepted limits of materiality and in accordance with the International Financial Reporting Standards appropriate in the circumstances. Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for preparation of financial statements.

The Board of Trustees oversees management's responsibilities for the preparation of the consolidated financial statements and accompanying management's discussion and analysis (MD&A) primarily through the activities of its Audit Committee, which is comprised solely of trustees who are unrelated to, and independent of, the Trust. The Audit Committee meets regularly with management and the independent auditors to review the consolidated financial statements and MD&A and recommends approval of the annual financial statement package to the Board of Trustees. These consolidated financial statements and MD&A have been approved by the Board of Trustees for inclusion in this Annual Report.

KPMG LLP, the independent auditors appointed by the unitholders based on the recommendation of the Board of Trustees, have been engaged to audit the consolidated financial statements and provide an independent professional opinion thereon. The auditors have full and independent access to the Audit Committee to discuss audit and related matters.



Michael Zakuta
President and CEO
February 26, 2015



Floriana Cipollone
Chief Financial Officer
February 26, 2015



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Plaza Retail REIT.

We have audited the accompanying consolidated financial statements of Plaza Retail REIT, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Plaza Retail REIT as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

A stylized, handwritten-style signature of 'KPMG LLP' in black ink, with a horizontal line underneath.

Chartered Professional Accountants
February 26, 2015
Halifax, Canada

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KPMG Confidential

Plaza Retail REIT**Consolidated Statements of Financial Position**
(in thousands of Canadian dollars)December 31, December 31,
2014 2013**Assets****Non-Current Assets**

Investment properties (Note 5)	\$ 889,291	\$ 900,165
Investments (Note 6)	33,435	29,678
Tenant loans	2,346	2,351
Deferred income tax asset (Note 16)	571	1,492
	<u>925,643</u>	<u>933,686</u>

Current Assets

Cash	6,370	25,280
Receivables (Note 7)	1,850	2,624
Prepaid expenses and deposits (Note 8)	5,302	4,449
Current portion of investments (Note 6)	5,485	-
Income taxes receivable	-	1,059
Notes receivable (Note 9)	5,131	8,096
Investment properties held for sale (Note 5)	550	-
	<u>24,688</u>	<u>41,508</u>
	<u>\$ 950,331</u>	<u>\$ 975,194</u>

Liabilities and Unitholders' Equity**Non-Current Liabilities**

Debentures payable (Note 10)	\$ 65,509	\$ 82,432
Mortgage bonds payable (Note 11)	5,014	2,069
Mortgages payable (Note 12)	385,017	366,497
Deferred income tax liability (Note 16)	5,042	61,866
	<u>460,582</u>	<u>512,864</u>

Current Liabilities

Bank indebtedness (Note 14)	6,155	-
Current portion of debentures payable (Note 10)	-	15,991
Current portion of mortgage bonds payable (Note 11)	3,981	8,852
Current portion of mortgages payable (Note 12)	31,655	52,703
Bridge facility (Note 13)	27,537	44,393
Accounts payable and accrued liabilities	11,860	11,831
Notes payable (Note 15)	1,175	919
	<u>82,363</u>	<u>134,689</u>
	<u>542,945</u>	<u>647,553</u>

Unitholders'/shareholders' equity	396,243	316,202
Non-controlling interests	11,143	11,439
	<u>407,386</u>	<u>327,641</u>
	<u>\$ 950,331</u>	<u>\$ 975,194</u>

Contingencies, commitments, guarantees, indemnities, litigation and provisions – see Note 24.
Subsequent events – see Note 27.



Barbara Trenholm, Trustee



Earl Brewer, Trustee

The notes on pages 40 to 67 are an integral part of these consolidated financial statements.

Plaza Retail REIT
Consolidated Statements of Comprehensive
Income (Loss)
(in thousands of Canadian dollars)

	2014	2013
Revenues	\$ 93,376	\$ 83,091
Operating expenses (Note 17)	(33,589)	(30,604)
Net property operating income	59,787	52,487
Share of profit of associates	2,206	1,307
Administrative expenses (Note 17)	(8,863)	(8,408)
Transaction related costs on acquisition of KEYreit (Note 4)	-	(9,061)
Investment income	455	200
Other income	2,416	1,595
Income before finance costs, fair value adjustments and income taxes	56,001	38,120
Finance costs	(27,225)	(27,193)
Finance costs – debenture issuance costs	-	(1,634)
Finance costs - net gain (loss) from fair value adjustments to convertible debentures	(523)	1,628
Net loss from fair value adjustments to investment properties (Note 5)	(228)	(24,079)
Profit (loss) before income tax	28,025	(13,158)
Income tax recovery (expense)		
- Current	124	761
- Deferred (Note 1)	57,296	(668)
	57,420	93
Profit (loss) and total comprehensive income (loss) for the year	\$ 85,445	\$ (13,065)
Profit (loss) and total comprehensive income (loss) for the year attributable to:		
- Unitholders/shareholders	\$ 85,275	\$ (11,591)
- Non-controlling interests	170	(1,474)
	\$ 85,445	\$ (13,065)

The notes on pages 40 to 67 are an integral part of these consolidated financial statements.

Plaza Retail REIT
Consolidated Statements of Changes in Equity
(in thousands of Canadian dollars)

	Trust Units (Note 18)	Shares (Note 18)	Retained Earnings	Total Attributable to Shareholders/ Unitholders	Non- Controlling Interests	Total Equity
Balance as at December 31, 2012	\$ -	\$ 107,159	\$ 130,411	\$ 237,570	\$ 13,641	\$ 251,211
Profit (loss) and total comprehensive income (loss) for the year	-	-	(11,591)	(11,591)	(1,474)	(13,065)
Transactions with shareholders, recorded directly in equity:						
- Contributions by shareholders	-	42,494	-	42,494	-	42,494
- Shares issued to purchase KEYreit (Note 4)	-	59,747	-	59,747	-	59,747
- Shares issued as partial consideration to terminate KEYreit's asset and property management agreements (Note 4)	-	4,000	-	4,000	-	4,000
- Dividends to shareholders (Note 20)	-	-	(16,018)	(16,018)	-	(16,018)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	(728)	(728)
Balance as at December 31, 2013	\$ -	\$ 213,400	\$ 102,802	\$ 316,202	\$ 11,439	\$ 327,641
REIT conversion, January 1, 2014 (Note 1)	212,007	(213,400)	-	(1,393)	-	(1,393)
Profit (loss) and total comprehensive income (loss) for the year	-	-	85,275	85,275	170	85,445
Transactions with unitholders, recorded directly in equity:						
- Contributions by unitholders	19,967	-	-	19,967	-	19,967
- Distributions to unitholders (Note 20)	-	-	(23,808)	(23,808)	-	(23,808)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	(466)	(466)
Balance as at December 31, 2014	\$ 231,974	\$ -	\$ 164,269	\$ 396,243	\$ 11,143	\$ 407,386

The notes on pages 40 to 67 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

2014

2013

Cash obtained from (used for):

Operating activities

Profit (loss) and total comprehensive income (loss) for the year	\$ 85,445	\$ (13,065)
Interest expense	27,980	27,204
Items not affecting cash:		
Share of profit of associates	(2,206)	(1,307)
Amortization of finance charges included in interest expense	2,151	2,472
Net change in fair value of investment properties	228	24,079
Net change in fair value of convertible debentures	523	(1,628)
Amortization of loan revaluations included in interest expense	(2,906)	(849)
Shares issued as partial consideration to terminate KEYreit's asset and property management agreements (Note 4)	-	4,000
Current and deferred income taxes	(57,420)	(93)
Straight-line rent revenue	108	(749)
Interest paid	(26,838)	(25,455)
Income taxes received (paid)	1,184	(1,321)
Leasing commissions	(280)	(170)
Change in non-cash working capital (Note 21)	(1,596)	(4,499)
	26,373	8,619

Financing activities

Issue of notes payable	256	13
Issue of common shares (Note 18)	-	38,170
Distributions paid to unitholders/shareholders (Note 20)	(21,957)	(16,018)
Distribution reinvestment proceeds (Note 18)	2,351	1,707
Cash received on change in ownership structure of joint arrangement (the Village Shopping Centre)	-	553
Gross proceeds of bonds and debentures	3,000	47,000
Redemption of bonds and debentures	(20,991)	(10,263)
Finance charges incurred for bonds and debentures	(101)	(1,974)
Bridge facility proceeds (Note 13)	30,000	98,583
Bridge facility repayments (Note 13)	(47,788)	(53,195)
Finance charges incurred for bridge facility	(174)	(2,653)
Gross mortgage proceeds	132,691	51,326
Finance charges incurred from mortgage placement	(1,597)	(583)
Loan defeasance expenses paid	(625)	-
Mortgages repaid	(122,708)	(42,456)
Periodic mortgage principal repayments	(8,826)	(6,772)
	(56,469)	103,438

Investing activities

Acquisitions, developments and redevelopments	(36,395)	(36,317)
Proceeds from disposal of property and land (Note 5)	47,213	18,028
Bonds purchased for mortgage defeasances and other investments (Note 6)	(8,639)	(310)
Redemptions of bonds purchased for mortgage defeasances (Note 6)	470	-
Acquisition of KEYreit, net of cash acquired (Note 4)	-	(61,203)
Net distributions from equity accounted investments (Note 6)	1,132	5,034
Contributions paid by subsidiaries to non-controlling interests	(466)	(728)
Increase in deposits for acquisitions and financings (Note 8)	(1,254)	(975)
Decrease (increase) in notes receivable	2,965	(7,833)
Repayment of tenant loans	586	312
Funding of tenant loans	(581)	(2,038)
	5,031	(86,030)

Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the year	25,280	(747)
Cash less bank indebtedness, end of the year	\$ 215	\$ 25,280

The notes on pages 40 to 67 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2014

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

1. Reporting Entity

Plaza Retail REIT (the “Trust”) is an unincorporated “open-ended” real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 (the “Declaration of Trust”) and governed by the laws of the Province of Ontario. The address of the Trust’s head office is 98 Main Street, Fredericton, New Brunswick. The Trust operates a retail real estate ownership and development business in Canada.

REIT Conversion

Effective January 1, 2014, Plazacorp Retail Properties Ltd. (the “Company”) completed its plan of arrangement to convert into a real estate investment trust (Plaza Retail REIT). Approval was granted by the Toronto Stock Exchange and on January 8, 2014 the Trust’s units began trading under the symbol “PLZ.UN”. Under the reorganization, shareholders of the Company received one trust unit of the Trust for each common share of the Company held. Consequently, any references to common shares, shareholders and per share amounts relate to years prior to the conversion on January 1, 2014 and any references to trust units, unitholders and per unit amounts relate to years subsequent to January 1, 2014.

In conjunction with the conversion, the Trust has moved from a quarterly dividend to a monthly distribution. Since the Trust is the continuation of the Company, the prior year comparatives included in these condensed interim consolidated financial statements are those of the Company. The Trust is a flow-through vehicle, therefore only deferred taxes of the Trust’s corporate subsidiaries are recorded. The impact of the change in the tax status as a result of the conversion has been recorded as a deferred tax recovery in the current year, except for the tax effect related to amounts recorded in equity, which are credited directly to equity in accordance with SIC-25, “Income taxes – changes in the tax status of an entity or its shareholders”.

The reconciliation of the deferred income tax recovery (expense) for the year is as follows:

Recovery from derecognition on conversion	\$ 59,743
Expense for current year results	(2,447)
Net deferred tax recovery for the current year	<u>\$ 57,296</u>

The reconciliation of the net deferred income tax liability as at December 31, 2014 is as follows:

Net deferred income tax liability as at December 31, 2013	\$ 60,374
Adjustment to equity on derecognition	1,393
Adjustment to income on derecognition	(59,743)
Expense for current year results	2,447
Net deferred tax liability as at December 31, 2014	<u>\$ 4,471</u>
Deferred income tax asset	\$ (571)
Deferred income tax liability	5,042
Net deferred tax liability as at December 31, 2014	<u>\$ 4,471</u>

2. Basis of Preparation

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Trustees of the Trust on February 26, 2015.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2014

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

(b) *Basis of Measurement*

The consolidated financial statements have been prepared on a historical cost basis, except for the following items in the consolidated statements of financial position:

- Interest rate swaps measured at fair value;
- Unit-based payments measured at fair value;
- Convertible debentures measured at fair value;
- Investment property measured at fair value; and
- Investment property included in investments measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(c) *Use of Estimates and Judgments*

The preparation of the Trust's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include the assessment of fair values, the discount rates used in the valuation of the Trust's assets and liabilities, capitalization rates, the relative credit worthiness of the Trust to its counterparties, the ability to use tax losses and other tax measurements, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize to properties under development and the selection of accounting policies.

(i) *Investment property*

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the year, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Trust or by external valuers. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

3. **Summary of Significant Accounting Policies**

The Trust's accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) *General and Consolidation*

The consolidated financial statements comprise the financial statements of the Trust and the entities that it controls. Entities subject to joint arrangements characterized as joint ventures are accounted for using the equity method. Entities subject to joint arrangements characterized as joint operations are accounted for using proportionate consolidation. Entities subject to significant influence are accounted for using the equity method. Entities over which the Trust does not exercise significant influence are accounted for using the cost method, where the fair value cannot be reliably measured. The financial statements of the consolidated and equity accounted entities are prepared for the same reporting period as the Trust, using consistent accounting policies.

All intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated in full.

(b) *Investment Properties*

Investment properties consist of all of the Trust consolidated commercial properties, development properties, land held for future development and land parcels that become surplus after assembly and subdivision of parcels used for development. Investment properties include interests held under land leases. The Trust has adopted application of IAS 40, "Investment property", and has chosen the fair value method of valuing its investment properties. Fair value represents the amount at which

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2014

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction at the date of valuation.

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers. Management undertakes a quarterly review of the fair value of its investment properties to assess the continuing validity of the underlying assumptions, such as cash flows and capitalization rates. Where increases or decreases are warranted, the Trust adjusts the fair values of its investment properties. Related fair value gains and losses are recorded in profit in the period in which they arise.

Development properties included in investment properties consist of properties under construction. To the extent fair value is reliably determinable, the carrying value of such development properties is adjusted to fair value. To the extent that fair value is not reliably determinable, the development properties are carried at cost until fair value becomes reliably determinable.

Surplus lands are included in investment properties and are carried at fair value. The fair value of the surplus lands is based on a combination of external appraisals and internal valuations based on recent market transactions.

Investment properties are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing use. The asset is classified as such, only when management has committed to a plan to sell, when the sale is probable and is expected to qualify for recognition as a completed sale within one year.

(c) Capitalization of Costs

The Trust capitalizes investment property acquisition costs incurred at the time of purchase.

For development properties, the Trust capitalizes all direct expenditures incurred in connection with their acquisition, development and construction. These expenditures consist of all direct costs and borrowing costs on both specific and general debt. Borrowing costs are offset by any interest earned by the Trust on borrowed funds prior to utilization. The development period commences when expenditures are being incurred and activities necessary to prepare the asset for its intended use are in progress. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use are complete.

(d) Revenue

(i) Rental revenue

Rental revenue includes rent earned from tenants under lease arrangements; including, base rent, percentage rents, straight-line rents, property tax and operating cost recoveries and incidental income including lease cancellation payments. The Trust retains substantially all of the benefits and risks of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases.

Common area maintenance recoveries are the share of property operating costs charged to tenants under the terms of the leases. Recoveries from tenants for common area maintenance, real estate taxes and other recoverable costs are recognized as revenue in the period that services are provided.

(ii) Straight-line rent

Certain leases provide for (i) tenant occupancy during the period for which no rent is due (free rent period) or (ii) minimum rent increases during the term of the lease. Rental revenue is recorded for the fixed term of each lease on a straight-line basis. The straight-line or free rent receivable, as applicable, is recorded as a component of investment properties for the difference between the rental revenue recorded and the contractual amount received. When a property is acquired, the term of existing leases is considered to commence as of the acquisition date for the purposes of the straight-line rent calculations. For lease renewals, the effective date of the lease is used for the purposes of the straight-line rent calculations.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2014

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

(e) *Income Taxes*

The Trust is a mutual fund trust and qualifies as a real estate investment trust for Canadian income tax purposes. Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income tax, provided that its taxable income is fully distributed to unitholders. Accordingly, income taxes, comprised of current and deferred taxes, are only recorded for the Trust's corporate subsidiaries. The Trust intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes.

(f) *Cash*

Cash represents cash in bank accounts and short-term deposits with initial maturity dates of less than 90 days. The Trust's cash balance does not include any instruments related to asset-backed securities or commercial paper programs.

(g) *Unit-based Payments*

The Trust issues unit-based awards, comprised of restricted share units, to certain officers, employees and trustees of the Trust or its affiliates. Under the restricted share unit plan, the fair value of the restricted share units granted is recognized as compensation expense over the vesting period. Fair value is determined with reference to the market price of the Trust's units.

Since the Trust's units are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, "Financial instruments: presentation", any restricted share units are accounted for as a liability because the participants' rights to receive a puttable instrument is a cash-settled share-based payment under IFRS 2, "Share-based payments". The restricted share units liability is adjusted to reflect the change in their fair value at each reporting period with the changes in fair value recognized as compensation expense.

(h) *Investments*

Investments in entities where control or significant influence over the financial and operating policies of the entity does not exist, are recorded at cost. Amounts received or receivable in accordance with the income distribution formula of the entity, if not capital or financing receipts, are included in income. Investments in entities where significant influence over the financial and operating policies of the entity exist, are accounted for using the equity method. Amounts received from these entities are accounted for as a reduction of the investments and the proportionate share of the net income or loss from the investments are recorded in profit or loss for the period and as an increase or decrease to the investments.

Investment properties that are held by equity-accounted entities are measured at fair value, consistent with the Trust's policy for its consolidated investment properties. The Trust's pro-rata share of any fair value gain or loss is calculated based on "winding-up" the specific entity and distributing the net assets to the partners as dictated by the respective agreements. The Trust's pro-rata share of any fair value gain or loss is recorded in profit or loss for the period within share of profit of associates.

(i) *Financial Instruments*

The Trust has or has had the following non-derivative financial instruments: financial assets and financial liabilities at fair value through profit and loss, held-to-maturity financial assets, loans and receivables, other financial liabilities and trust units.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The effective interest method is used for financial instruments measured at amortized cost and allocates interest over the relevant period. The effective interest rate ("Effective Interest Rate") is the rate that discounts estimated future cash flows (including all fees paid or received that form an integral part of the Effective Interest Rate, transaction costs and other premiums or discounts) through the expected life of the instrument, to the net carrying amount on initial recognition.

Any transaction costs associated with financial instruments measured at fair value through profit and loss are expensed as incurred in the consolidated statement of comprehensive income.

Plaza Retail REIT

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(i) Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that the Trust manages together and has a recent actual pattern of short-term profit-taking. Financial assets are designated at fair value through profit and loss if the Trust manages and evaluates such assets on a fair value basis in accordance with the Trust's documented risk management or investment strategy. Upon initial recognition, certain transaction costs are recognized in profit and loss as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognized in profit and loss.

The Trust's held for trading assets consist of cash.

(ii) Financial liabilities at fair value through profit and loss

Convertible debentures issued by the Trust are convertible into units at the option of the holder and the number of units to be issued does not vary with changes in their fair value. As the Trust's units are redeemable at the option of the holder and are, therefore, considered puttable instruments in accordance with IAS 32, "Financial instruments: presentation", the convertible debentures are considered a liability containing liability-classified embedded derivatives.

The Trust has elected to record the full outstanding amount of each convertible debenture at fair value determined using either (i) a valuation methodology which considers the volatility of the unit price and current credit spreads, for non-publicly traded convertible debentures, or (ii) the closing trading price, for publicly traded convertible debentures. Changes in fair value are recognized in profit and loss.

(iii) Held-to-maturity financial assets

If the Trust has the positive intent and ability to hold certain financial assets to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in a reclassification of all held-to-maturity investments as available-for-sale, and prevent the Trust from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity assets are comprised of Government of Canada bonds and cash substituted for mortgage security under defeasance arrangements.

(iv) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are recognized initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise receivables, notes receivable and tenant loans.

(v) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an available-for-sale financial asset is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Trust currently has no financial assets which are designated as available-for-sale.

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(vi) Other financial liabilities

The Trust initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized on the trade date at which the Trust becomes a party to the contractual provisions of the instrument.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Trust's other financial liabilities consist of accounts payable and accrued liabilities, notes payable, mortgage bonds payable, bank indebtedness, bridge facilities and mortgages payable.

(vii) Trust Units

The Trust's units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, "Financial instruments: presentation", in which case, the puttable instruments may be presented as equity. The Trust's units meet the conditions of IAS 32 and are, therefore, presented as equity.

(j) *Derivative Financial Instruments*

The Trust's derivative financial instruments consist of interest rate swaps (that do not qualify for hedge accounting) that have been entered into in order to manage the impact of floating interest rates on certain long-term debt. The Trust's derivatives are recognized initially at fair value. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit and loss in the reporting period.

(k) *Leasing Costs*

Payments to tenants under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the Trust is considered to have acquired an asset. Accordingly, the tenant improvements are capitalized as part of investment property. When the obligation is determined to be a lease inducement, the amount is recognized as an asset which forms a component of investment property and is deferred and amortized over the term of the lease as a reduction of revenue.

(l) *Finance Costs*

Finance costs are comprised of interest expense on borrowings, fair value changes in financial assets and liabilities, the fair value adjustment on interest rate swap derivatives and transaction costs associated with the issuance of financial liabilities measured at fair value through profit and loss (such as convertible debentures). Transaction costs associated with financial liabilities presented at amortized cost are presented with the related debt instrument and amortized using the effective interest method over the anticipated life of the related debt.

(m) *Changes in Accounting Policies*

(i) Offsetting financial assets and liabilities

The IASB has issued amendments to IAS 32, "Financial instruments: presentation". The amendments clarify an entity's legally enforceable right to offset financial assets and liabilities. The amendments became effective on January 1, 2014. The adoption of the new standard did not have an impact on the Trust's financial statements.

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(ii) Recoverable amount disclosures for non-financial assets

The IASB has issued amendments to IAS 36, "Impairment of assets". The amendments require recoverable amounts to be disclosed only when an impairment loss has been recognized or reversed. The amendments became effective January 1, 2014. The Trust's financial statements reflect the required disclosures.

(iii) Levies

The IASB has issued IFRIC 21, "Levies". The IFRIC addresses accounting for a liability to pay a levy within the scope of IAS 37, "Provisions, contingent liabilities and contingent assets". A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, "Income taxes", and fines or other penalties imposed for breaches of the legislation. This IFRIC became effective January 1, 2014, and is to be applied retrospectively. The adoption of the new standard did not have an impact on the Trust's financial statements.

(n) Future Changes in Accounting Policies

(i) Annual Improvements to IFRS

Amendments were made to clarify the following in their respective standards: the definition of "vesting condition" in IFRS 2 "Share-based payment"; classification and measurement of contingent consideration and scope exclusion for the formation of joint arrangements in IFRS 3, "Business combinations"; measurement of short-term receivables and payables and scope of portfolio exception in IFRS 13, "Fair value measurement"; definition of "related party" in IAS 24, "Related party disclosure"; and inter-relationship of IFRS 3 and IAS 40 in IAS 40, "Investment property". Special transitional requirements have been set for amendments to IFRS 2 and IAS 40. The Trust intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

Narrow-scope amendments were made to clarify the following in their respective standards: changes in method for disposal under IFRS 5, "Non-current assets held for sale and discontinued operations"; and disclosure of information 'elsewhere in the interim financial report' under IAS 34, "Interim financial reporting". The Trust intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(ii) Financial Instruments

The IASB has issued a new standard, IFRS 9 (2014), "Financial instruments", which will ultimately replace IAS 39, "Financial instruments – recognition and measurement" and IFRIC 9, "Reassessment of embedded derivatives" and augments earlier versions of IFRS 9. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of this new standard.

(iii) Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". The new standard is effective for fiscal years ending on or after December 31, 2017 and is available for early adoption.

IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue – barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Trust intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of this standard has not yet been determined.

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(iv) Business Combination Accounting for Interests in a Joint Operation

On May 16, 2014 the IASB issued “Accounting for Acquisitions of Interests in Joint Operations” (amendments to IFRS 11). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016 and is available for early adoption.

The Trust intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016.

(v) Transfer of Assets Between an Investor and its Associate or Joint Venture

On September 11, 2014 the IASB issued “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (amendments to IFRS 10 and 28). The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture (“JV”). Specifically, under the existing consolidation standard, the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and JVs, the parent recognises the gain only to the extent of unrelated investors’ interests in the associate or JV. The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a ‘business’ under IFRS 3, “Business combinations”. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The amendments apply prospectively for annual periods beginning on or after January 1, 2016 and early adoption is permitted.

The Trust intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016.

(vi) Presentation of Financial Statements

On December 18, 2014 the IASB issued amendments to IAS 1, “Presentation of financial statements” as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 and early adoption is permitted. The Trust intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

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4. Acquisition of KEYreit

In the prior year, the Company completed the acquisition of 100% of the issued and outstanding units of KEYreit through the payment of \$62.1 million in cash and the issuance of 12.9 million shares of the Company, for total consideration of \$121.9 million. The acquisition was accounted for as an asset acquisition and not as a business combination, as no key strategic processes of KEYreit were acquired. The share consideration issued in the transaction was valued in reference to the fair value of the units of KEYreit acquired. The following table summarizes the purchase price and the estimated fair value of the net assets acquired.

Investment properties	\$ 343,868
Cash	945
Receivables	1,018
Prepaid expenses and deposits	2,554
Debentures payable	(52,428)
Mortgages payable	(162,897)
Accounts payable and accrued liabilities	(11,165)
Total consideration paid	\$ 121,895
Purchase price satisfied by:	
Shares issued to KEYreit unitholders	\$ 59,747
Cash from drawdown of bridge facility (Note 13)	62,148
	\$ 121,895

As part of the agreement to acquire KEYreit, the existing asset and property management agreements between KEYreit and JBM Properties Inc. (a company owned by the former CEO of KEYreit) were terminated for a fee of \$8.0 million, paid 50% in cash and 50% in shares of the Company, and an additional \$1.0 million in severance costs were paid by the Company to various KEYreit employees. Both payments were expensed in the statement of comprehensive income.

5. Investment Properties

	December 31, 2014	December 31, 2013
Balance, beginning of year:	\$ 900,165	\$ 531,764
Additions (deductions):		
Additions to investment properties	28,873	21,778
Additions – acquisitions of investment properties or land	8,352	14,966
Additions – the Village Shopping Centre due to change in ownership structure of this joint arrangement	-	28,933
Additions – Acquisition of KEYreit (Note 4)	-	343,868
Disposals	(47,213)	(18,028)
Investment properties held for sale (Note 5(g))	(550)	-
Straight line rent receivable change	(108)	963
Fair value adjustment	(228)	(24,079)
Balance, end of year:	\$ 889,291	\$ 900,165

The majority of the Trust's investment properties have been pledged as security under various debt agreements.

Investment properties are stated at fair value using the following methods, estimates and key assumptions:

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them. Where available and when applicable, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, \$99.0 million of investment properties were based on such external appraisals (December 31, 2013 - \$11.9 million).

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(ii) Internal approach - direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to normalized net operating income (property revenue less property operating expenses). The key assumption is the capitalization rate for each specific property. The Trust receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

As at December 31, 2014 the Trust has utilized the following range of capitalization rates:

	Number of Properties ⁽¹⁾	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	63	6.55%	5.75% - 8.00%	6.25% - 9.00%
Quick Service Restaurant	146	7.32%	5.75% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	15	6.97%	6.00% - 8.25%	6.50% - 9.00%
Anchored Strip – Class B	25	7.09%	6.25% - 8.50%	7.00% - 10.00%
Unanchored Strip	35	7.96%	6.25% - 9.00%	7.00% - 10.00%
Enclosed Malls – Community	3	7.84%	7.50% - 9.50%	9.00% - 11.00%
	287	7.13%		

⁽¹⁾ Excludes properties under development not recorded at fair value and non-consolidated trusts and partnerships.

Freestanding or Mini Box - defined as a freestanding retail, non-restaurant use such as a pharmacy or equivalent national box retailer. May include nominal additional gross leasable area ("GLA") if the additional GLA is 15% or less than the total GLA or gross revenue.

Quick Service Restaurant – defined as freestanding retail space for food.

Anchored Strip – Class A - defined as a food or equivalent-anchored retail strip, 20,000-125,000 square feet and where the anchor tenant(s) represents 70% or more of GLA or gross revenue.

Anchored Strip – Class B - defined as a food or equivalent-anchored retail strip, 20,000-200,000 square feet and where the anchor tenant(s) represents less than 70% of GLA or gross revenue.

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

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

At December 31, 2014 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$32.7 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$30.5 million.

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As at December 31, 2013 the Trust utilized the following range of capitalization rates:

	Number of Properties ⁽¹⁾	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	63	6.48%	5.00% - 9.00%	6.00% - 11.00%
Quick Service Restaurant	173	6.80%	5.75% - 8.50%	6.00% - 9.00%
Anchored Strip – Class A	17	6.95%	6.00% - 8.25%	6.00% - 9.00%
Anchored Strip – Class B	21	7.10%	6.25% - 8.50%	6.50% - 9.50%
Unanchored Strip	33	7.93%	6.25% - 9.00%	6.50% - 10.00%
Enclosed Malls – Community	5	8.07%	7.50% - 9.50%	8.00% - 11.00%
	312	7.08%		

⁽¹⁾ Excludes properties under development not recorded at fair value and non-consolidated trusts and partnerships.

(a) Straight-line Rent

Included in investment properties at December 31, 2014 is \$11.8 million (December 31, 2013 - \$11.9 million) of straight line rents receivable arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, "Leases".

(b) Surplus Land

Included in investment properties at December 31, 2014 is \$675 thousand of surplus lands at fair value (December 31, 2013 - \$1.2 million).

(c) Properties Under Development

Included in investment properties at December 31, 2014 is \$54.3 million of properties under development/redevelopment (December 31, 2013 - \$44.8 million), of which \$8.1 million are recorded at cost as fair value was not determinable (December 31, 2013 - \$10.0 million).

(d) Borrowing Costs

The total amount of borrowing costs capitalized for the year ended December 31, 2014 is \$346 thousand (for the year ended December 31, 2013 - \$435 thousand).

(e) Acquisitions

During the year ended December 31, 2014, the Trust acquired land for development in Timmins, ON for \$1.1 million, of which the Trust owns an 80% interest. The Trust purchased a vacant property in Fredericton, NB for \$1.5 million for redevelopment, land in Fredericton, NB for \$2.8 million, and land in Sydney, NS for \$812 thousand. The two parcels of land which were purchased had been leased previously under land lease agreements. The Trust also purchased an income producing property in Coaticook, QC for \$2.1 million.

During the year ended December 31, 2013, the Trust acquired a 202,000 square foot retail strip centre in Saint John, NB for \$10.6 million (approximately 100,000 square feet is vacant and was purchased for re-development); two single-use properties in Rouyn-Noranda and Beauport, QC for \$3.7 million and a 25% interest in a 13,563 square foot property in Montreal, QC for \$627 thousand.

(f) Disposals

During the year ended December 31, 2014, the Trust disposed of surplus land in Sussex, NB for net proceeds of \$149 thousand and land in Dartmouth, NS for net proceeds of \$377 thousand. The Trust also sold income producing properties for net proceeds of \$46.7 million in Lloydminster and Okotoks, AB; Vancouver, BC; Liverpool, NS; Brantford, Carleton Place, Chatham, Cobourg, Hawkesbury, London, Oshawa, Ottawa, Pembroke, Peterborough, Sudbury, Toronto and Windsor, ON; and Levis, Longueuil, Magog, Montreal, Roberval and St. Hyacinthe, QC.

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During the year ended December 31, 2013, the Trust disposed of land in Charlottetown, PE for net proceeds of \$2.8 million, Sherbrooke, QC for net proceeds of \$70 thousand and Montreal, QC for net proceeds of \$1.4 million. The Trust also sold income producing properties for net proceeds of \$13.8 million in Olds and Brooks, AB; Burnaby, Victoria, Squamish and Westbank, BC; Humboldt, SK; La Tuque and Montreal, QC; and Aurora, Essex, Toronto and Windsor, ON.

(g) Investment Properties Held For Sale

The Trust has segregated investment properties held for sale for a property located in Drayton Valley, AB.

6. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	December 31, 2014	December 31, 2013
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 9,754	\$ 8,875
Trois Rivières Limited Partnership	15%	10%	30%	2,299	2,116
Plazacorp-Shediac Limited Partnership	10%	8%	50%	1,420	1,504
VGH Limited Partnership	20%	8%	27%	2,099	2,000
Plazacorp Ontario1 Limited Partnership	25%	4%	25%	2,085	2,155
Plazacorp Ontario2 Limited Partnership	50%	-	-	2,986	3,198
Plazacorp Ontario3 Limited Partnership	50%	-	-	1,866	2,007
Plazacorp Ontario4 Limited Partnership	50%	-	-	1,829	2,027
RBEG Limited Partnership	50%	-	-	1,961	1,750
CPRDL Limited Partnership	50%	-	-	2,290	2,306
Fundy Retail Limited	50%	-	-	1,197	912
St. Hyacinthe Limited Partnership	25%	-	-	137	-
				29,923	28,850
Cost Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	260	260
				30,183	29,110
Held-to-Maturity Investments					
	Maturity Dates	Weighted Average Rate			
Mortgage bonds and cash – substituted for mortgage security	Jan 1/15 – Aug 1/17	1.3%		8,737	568
Investments				38,920	29,678
Less: Current portion of investments				(5,485)	-
Investments – long-term portion				\$ 33,435	\$ 29,678

For equity accounted investments in which the Trust has less than a 20% ownership interest, the Trust has significant influence over these entities as it has the power to participate in the financial and operating policy decisions of the entities but is not able to exercise control or joint control over those policies.

The share of the profits or other compensation, which the equity-accounted investments noted above are entitled to, is distributed first as a preferred return on invested capital, as outlined above, with the remaining distributed as a residual return as outlined above.

Held-to-maturity investments at December 31, 2014 were made up of Government of Canada Bonds totalling \$8.6 million (December 31, 2013 – nil) with yields which are between 1.0% to 2.0%. Remaining held-to-maturity investments are made up of mortgage bonds totaling \$96 thousand with a yield of 7%. Held-to-maturity investments at December 31, 2013 were made up of mortgage bonds totaling \$568 thousand with a yield of 9%. All of the bonds were pledged as substitute security for mortgages under defeasance agreements.

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For the year ended December 31, 2014 the Trust received \$1.3 million of distributions (for the year ended December 31, 2013 - \$6.0 million) from equity accounted investments. For the year ended December 31, 2014 the Trust made \$125 thousand in contributions (for the year ended December 31, 2013 - \$1.0 million) to its equity accounted investments.

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

	December 31, 2014		December 31, 2013	
	Equity accounted investments	Cost accounted investments	Equity accounted investments	Cost accounted investments
Cash	\$ 3,715	\$ 2,807	\$ 5,854	\$ 240
Current assets	\$ 3,799	\$ 130	\$ 539	\$ 452
Long term assets	\$ 211,599	\$ 43,199	\$ 204,845	\$ 30,947
Current liabilities	\$ 3,501	\$ 325	\$ 1,695	\$ 247
Long term liabilities	\$ 98,980	\$ 32,878	\$ 92,680	\$ 16,325
Revenues	\$ 18,807	\$ 3,401	\$ 18,550	\$ 3,820
Expenses	\$ 10,486	\$ 3,894	\$ 9,932	\$ 2,620
Profit (loss)	\$ 8,322	\$ (493)	\$ 8,618	\$ 1,200

7. Receivables

Receivables consist of the following:

	December 31, 2014	December 31, 2013
Tenant accounts receivable, net of allowance	\$ 956	\$ 1,167
Excise tax	484	937
Other receivables	410	520
Total receivables	\$ 1,850	\$ 2,624

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis taking into consideration lease terms, industry conditions and status of the tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance at December 31, 2014 is \$69 thousand (December 31, 2013 - \$158 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the year ended December 31, 2014 (for the year ended December 31, 2013 - nil).

8. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2014	December 31, 2013
Prepaid expenses	\$ 1,954	\$ 2,304
Deposits for acquisitions and financings	2,499	1,245
Other deposits, primarily property tax escrows under mortgage agreements	849	900
Total prepaid expenses and deposits	\$ 5,302	\$ 4,449

9. Notes Receivable

The notes receivable are owed by co-owners of investment properties as a result of funding requirements on a short-term basis during development of investment properties, and by minority interest shareholders of consolidated entities. The notes are due on demand.

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10. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	December 31, 2014	December 31, 2013
Convertible ⁽¹⁾				
Series A	December 31, 2014	7.75%	\$ -	\$ 15,991
Series B	December 31, 2016	8.00%	9,228	9,681
Series C	December 31, 2017	7.00%	17,555	17,429
Series D	December 31, 2018	5.75%	34,765	33,915
Series VI	March 31, 2015	7.50%	-	17,497
Total convertible debentures			61,548	94,513
Non-convertible ^{(2) (3)}	Various (see below)	5.00%	3,961	3,910
Total debentures			65,509	98,423
Less: debentures – current portion			-	(15,991)
Total debentures – long-term portion			\$ 65,509	\$ 82,432

⁽¹⁾ Recorded at fair value

⁽²⁾ Recorded at amortized cost

⁽³⁾ Net of unamortized finance charges of \$39 thousand

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series B	Series C	Series D
Conversion price	see below	see below	\$5.75
Trust's first redemption date	December 31, 2014	December 31, 2015	December 31, 2016
Par call date	December 31, 2015	December 31, 2016	December 31, 2017
Maturity date	December 31, 2016	December 31, 2017	December 31, 2018
Face value outstanding	\$9,155	\$16,921	\$34,000
Publicly listed	yes	yes	yes

Non-convertible debenture maturities are as follows:

	Tranche A	Tranche B	Tranche C	Total
Face value outstanding	\$1,600	\$2,300	\$100	\$4,000
Maturity date	February 26, 2018	April 15, 2018	May 2, 2018	

Series B and C convertible debentures were assumed on the acquisition of KEYreit. As a result of the change of control of KEYreit, and pursuant to the respective trust indentures as supplemented and amended, upon the change of control, each \$1,000 principal amount of the Series B debentures is convertible into \$99.76 in cash and 169 units of the Trust and each \$1,000 principal amount of the Series C debentures is convertible into \$112.76 in cash and 190 units of the Trust.

The \$16.0 million of Series A debentures were redeemed for cash on January 7, 2014.

On February 11, 2014, the Trust issued a redemption notice to Series VI convertible debenture holders. All of the holders of the remaining \$15.2 million of debentures exercised their option to convert to 4.0 million units.

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11. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

	December 31,				2014	December 31,
	Series	Series	Series	Series	Total	2013
	V	VI	VII	IX		Total
Boulevard Hebert Plaza, Edmundston, NB, 1 st mortgage	\$ 1,185	\$ -	\$ -	\$ -	\$ 1,185	\$ 1,185
Fairville Boulevard (ANBL), Saint John, NB, 1 st mortgage	-	900	-	-	900	900
Lansdowne redevelopment lands, Saint John, NB, 1 st mortgage	-	-	4,000	-	4,000	4,000
Nashwaaksis Plaza, Fredericton, NB, 1 st mortgage	-	-	-	-	-	5,000
Various properties, 1 st mortgage	-	-	-	3,000	3,000	-
Gross mortgage bonds payable	1,185	900	4,000	3,000	9,085	11,085
Less: unamortized finance charges					(90)	(164)
Less: current portion of mortgage bonds payable					(3,981)	(8,852)
Net mortgage bonds payable – long-term portion					\$ 5,014	\$ 2,069

	Series V	Series VI	Series VII	Series IX
Interest Rate	8.00%	5.25%	6.00%	5.50%
Maturity Date	June 4, 2016	February 24, 2016	August 15, 2015	July 15, 2017
Amount	\$1,185	\$900	\$4,000	\$3,000

The Trust has no right to redeem any of the mortgage bonds prior to their maturity date.

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12. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	December 31, 2014	December 31, 2013
Fixed rate loans:	3.27% - 7.29%	5.17%	Up to May 2034	\$ 410,866	\$ 392,818
Revaluation of loans upon acquisition of KEYreit, net of amortization of \$3,755 (December 31, 2013 - \$849)				2,279	5,185
Less: unamortized finance charges				(3,221)	(2,456)
Total net fixed rate loans				409,924	395,547
Variable rate loans:					
- \$20 million development facility	Prime plus 1.00% or BA plus 2.75%		July 31, 2015	-	12,261
- \$15 million development facility	Prime plus 1.00% or BA plus 2.25%		July 31, 2015	5,000	7,007
- \$7.0 million secured construction loan	Prime plus 1.25%		June 22, 2017	-	2,574
- \$1.645 million secured construction loan	Prime plus 1.25%		Discharged	-	823
- \$1.25 million secured construction loan	Prime plus 1.25%		Discharged	-	625
- \$0.9 million secured construction loan	Prime plus 1.25%		Discharged	-	447
- \$4.4 million secured construction loan	Prime plus 1.00%		August 31, 2015	1,845	-
Less: unamortized finance charges				(97)	(84)
Total net variable rate loans				6,748	23,653
Net mortgages payable				416,672	419,200
Less: mortgages payable – current portion				(31,655)	(52,703)
Total mortgages payable – long-term portion				\$ 385,017	\$ 366,497

All mortgages are secured by charges against specific assets. The unamortized finance charges are made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities the Trust has two 365-day revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a \$20 million facility that bears interest at prime plus 1.00% or BAs plus 2.75%, and the other is a \$15 million facility that bears interest at prime plus 1.00% or BAs plus 2.25%. At December 31, 2014 there is \$30 million available on these development facilities (December 31, 2013 - \$15.7 million). Funding is secured by first mortgage charges on development properties. The Trust must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt service, interest coverage and occupancy covenants, as well as unitholder equity tests. As of December 31, 2014 the Trust is in compliance with all covenants.

13. Bridge Facility

In September 2014, the Trust entered into a one-year secured bridge credit facility with a Canadian chartered bank for \$30 million. The facility was entered into in order to repay an existing mortgage on those secured assets and allow the Trust to refinance those assets. The facility is extendible for six months at the Trust's request and with the lender's consent. Prepayment of the facility may be made in whole or in part at any time without penalty. Interest is payable at prime plus 1.00% or BAs plus 2.25%.

The Trust must maintain certain financial ratios to comply with this facility. As of December 31, 2014 the Trust is in compliance with all applicable covenants.

The Trust had another one-year secured bridge credit facility with a Canadian chartered bank which was repaid in full on May 7, 2014. That bridge facility was originally entered into in order to fund the acquisition of KEYreit and related costs.

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	Maturity Date	December 31, 2014	December 31, 2013
\$30 million bridge facility	September 11, 2015	\$ 27,600	\$ -
\$122.5 million bridge facility	May 17, 2014	-	45,388
Less: unamortized finance charges		(63)	(995)
Total bridge facility		\$ 27,537	\$ 44,393

14. Bank Indebtedness

The Trust has a \$30.0 million (December 31, 2013 - \$21.5 million) operating line of credit facility with a Canadian chartered bank at the rate of prime plus 1.00% or BAs plus 2.25%, maturing July 31, 2015. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at December 31, 2014, the available limit was \$30.0 million. At December 31, 2014, \$6.2 million (December 31, 2013 - nil) was drawn on the facility and therefore the maximum amount available to be drawn on the facility was \$23.8 million (December 31, 2013 - \$20.7 million), net of letters of credit outstanding of \$20 thousand (December 31, 2013 - \$137 thousand). As security, at December 31, 2014, the Trust has provided a \$50 million demand debenture secured by a first mortgage over twenty one properties.

15. Notes Payable

Notes payable consist of the following:

	Interest Rate	December 31, 2014	December 31, 2013
Non-interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Trustee of the Trust ⁽¹⁾	n/a	\$ 261	\$ 261
Unrelated parties and non-controlling interests	n/a	914	658
Total notes payable		\$ 1,175	\$ 919

⁽¹⁾ The notes are repayable on sale or refinancing of the related asset

16. Income Taxes

The Trust qualifies as a real estate investment trust ("REIT") for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, no provision for Canadian current income tax payable is required, except for amounts in its incorporated Canadian subsidiaries.

Where an entity does not qualify as a REIT for Canadian income tax purposes, certain distributions will not be deductible by that entity in computing its income for Canadian tax purposes. As a result, the entity will be subject to tax at a rate substantially equivalent to the general corporate income tax rate on distributed taxable income. Distributions paid in excess of taxable income will continue to be treated as a return of capital to unitholders. Undistributed taxable income is subject to the top marginal personal tax rate. The Trust consolidates certain wholly-owned incorporated entities that remain subject to tax. The current year tax disclosures and expense relate only to these entities.

The components of deferred taxes on the consolidated statements of financial position are as follows:

	December 31, 2014	December 31, 2013
<u>Deferred income tax assets</u>		
Tax loss carry-forwards of subsidiaries	\$ 571	\$ 1,492
<u>Deferred income tax liabilities</u>		
Income producing properties	5,042	58,264
Investments	-	5,439
Less: minority interests	-	(1,837)
Total deferred income tax liabilities	5,042	61,866
Net deferred income tax liability	\$ 4,471	\$ 60,374

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17. Employee Salaries and Benefits

Total employee salaries and benefits paid by the Trust during the year were \$9.4 million, of which \$3.3 million is included in operating expenses, \$5.6 million is included in administrative expenses, and \$0.5 million has been capitalized to income producing properties (for the year ended December 31, 2013 - \$8.3 million, of which \$3.3 million in operating expenses, \$4.6 million in administrative expenses and \$0.4 million in income producing properties).

18. Unitholders' Equity

(a) Authorized

The Declaration of Trust authorizes the issuance of an unlimited number of units and special voting units. Special voting units are only issued in tandem with the issuance of securities exchangeable into units.

Each special voting unit shall have no economic entitlement nor beneficial interest in the Trust or in the distributions or assets of the Trust, but shall entitle the holder of record thereof to a number of votes at any meeting of the unitholders equal to the number of units that may be obtained upon the exchange of the exchangeable security to which such special voting unit is attached. Special voting units may only be issued in connection with or in relation to securities exchangeable into units for the purpose of providing voting rights with respect to the Trust to the holders of such securities. The creation or issuance of special voting units is subject to the prior written consent of the TSX.

In addition, preferred units may from time to time be created and issued in one or more classes (each of which may be made up of unlimited series) without requiring voting unitholder approval. Before the issuance of preferred units of a series, the Board will execute an amendment to the Declaration of Trust containing a description of such series, including the designations, rights, privileges, restrictions and conditions determined by the Board, and the class of preferred units of which such series is a part. The issuance of preferred units is also subject to the prior written consent of the TSX.

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(b) Issued and Outstanding

	December 31, 2014			December 31, 2013	
	Trust Units (000s)	Shares (000s)	Amount	Shares (000s)	Amount
Shares outstanding, beginning of the year	-	87,928	\$ 213,400	63,980	\$ 107,159
Issuance of units/shares:					
REIT conversion, January 1, 2014 (see Note 1)	87,928	(87,928)	(1,393)	-	-
Shares issued for the acquisition of KEYreit (Note 4)	-	-	-	12,893	59,747
Shares issued to terminate KEYreit's asset and property management Agreements (Note 4)	-	-	-	825	4,000
Shares issued through bought deal equity raise, net of issuance costs ⁽¹⁾	-	-	-	9,400	38,898
Units/shares issued through distribution reinvestment plan	603	-	2,351	411	1,707
Units/shares issued through RSU plan	29	-	119	29	-
Units/shares issued through debt conversions (Note 10)					
- face value debentures	4,004	-	15,214	390	1,481
- impact of fair value of convertible debentures	-	-	2,283	-	408
Units/shares outstanding, end of the year	92,564	-	\$ 231,974	87,928	\$ 213,400

⁽¹⁾ Net of deferred income tax asset of \$728 thousand

On January 1, 2014, as part of the conversion to a real estate investment trust, shareholders of the Company exchanged 87,928,000 common shares for 87,928,000 units of the Trust (see Note 1).

Unitholders have the right to redeem their units at the lesser of (i) 90% of the Market Price of the unit (Market Price is defined as the weighted average trading price of the previous 10 trading days) and (ii) the most recent Closing Market Price (Closing Market Price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of \$50 thousand for all redemptions in a calendar month, or a note payable. For the year ended December 31, 2014 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan to enable Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the Distribution Reinvestment Plan are issued directly from the treasury of the Trust at a price based on the weighted average closing price of the units for the 5 trading days immediately preceding the relevant distribution date. Participants also receive "bonus units" in an amount equal to 3% of the distribution amount reinvested. Pursuant to the Distribution Reinvestment Plan, during the year ended December 31, 2014, unitholders were issued 603 thousand units at a weighted average price of \$3.90 per unit (for the year ended December 31, 2013 – 411 thousand shares at a weighted average price of \$4.16 per share).

19. Restricted Share Unit Plan

The Trust has a Restricted Share Unit Plan ("RSU Plan") to enable the Trust to reward trustees, senior management and employees for their sustained contributions and to assist in attracting, retaining and motivating trustees, senior management and employees of the Trust. Restricted Share Units ("RSUs") may be granted from time to time on a discretionary basis by the Administrator (the Corporate Governance and Compensation Committee of the Board of Trustees). Each RSU notionally represents a unit in the Trust. Each RSU credited to a participant, shall receive a distribution of additional RSUs equal to the amount of distributions paid per unit by the Trust on its units ("Distribution RSUs"). The number of Distribution RSUs to be issued for each distribution payment will be equal to the aggregate amount of such distribution payable to a participant on his or her RSUs divided by the volume weighted average closing price of units for the five trading days immediately preceding such applicable day. The Distribution RSUs vest immediately and are redeemed by the participant in either cash or units. The RSUs will vest as follows: one-third of a given award on the first anniversary of the grant date, one-third on the second anniversary of the grant date and the balance on the third anniversary of the grant date. Upon vesting, a participant must redeem the RSUs for cash or units or a combination of both. Currently, the maximum number of units that may be issued under the RSU Plan upon the redemption of RSUs and Distribution RSUs is 5,820,256. A total of 184,000 RSUs have been granted under the RSU Plan since inception. For the year ended December 31, 2014 57,931 (for the year ended December 31, 2013 – 48,597) RSUs vested and 25,590 (for the year ended December 31, 2013 – 29,000) units were issued. Compensation expense of \$261 thousand (for the year ended December 31, 2013 - \$267 thousand) has been recognized in respect of the RSUs and at December 31, 2014 there is \$161 thousand (2013 - \$175 thousand) recorded in accounts payable representing the liability of the remaining RSUs.

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20. Distributions per Unit

Distributions are declared monthly at the discretion of the Board of Trustees of the Trust.

For the year ended December 31, 2014, the distributions paid or payable were \$23.8 million (for the year ended December 31, 2013 - \$16.0 million). This amount includes an extra payment in February 2014 of \$1.8 million to reflect the conversion to a real estate investment trust structure and moving from a quarterly dividend to a monthly distribution.

21. Change in Non-Cash Working Capital

	2014	2013
Receivables	\$ 1,421	\$ (352)
Prepaid expenses and mortgage deposits	401	2,026
Accounts payable and accrued liabilities	(3,418)	(6,173)
Total cash from change in non-cash working capital	\$ (1,596)	\$ (4,499)

22. Related Parties

The following are the related party transactions of the Trust. All related party transactions have been recorded at the exchange amount.

(a) Bonds and Debentures

The trustees own directly or indirectly the following mortgage bonds and debentures of the Trust (stated at face value):

	December 31, 2014	December 31, 2013
Earl Brewer	\$ 219	\$ 219
Edouard Babineau	250	350
Michael Zakuta	250	670
Stephen Johnson	-	750
Total related party mortgage bonds and debentures	\$ 719	\$ 1,989

Other key management personnel own \$45 thousand in mortgage bonds of the Trust at December 31, 2014 (December 31, 2013 - \$45 thousand).

(b) Other Transactions with Key Management Personnel

- (i) The Trust is party to nine ground leases with TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer and pays annual rent of \$1.1 million under these leases. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these leases have options to purchase, of which one is at a fixed price and the others are at fair market value.
- (ii) Earl Brewer and Michael Zakuta, directly or beneficially, through companies they control, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. At December 31, 2014 there is an outstanding receivable of \$5 thousand owed by the Gateway Mall to a subsidiary of the Trust (December 31, 2013 - \$13 thousand).
- (iii) Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of the Northwest Centre, Moncton, NB. There are no loans outstanding or fees charged by the related parties as a result of the joint ownership.
- (iv) Notes payable of \$261 thousand (December 31, 2013 - \$261 thousand) are owed to entities controlled directly or indirectly by Michael Zakuta. The non-interest bearing notes existed at the time of acquisition of properties in September 2000 and are repayable on sale or refinancing of the related assets. See Note 15.
- (v) Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) was party to an office lease for the Trust's former corporate headquarters in Fredericton, NB. The owner of the office building (and counter-party to the office

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lease) is a company indirectly owned by Michael Zakuta and Earl Brewer. Basic minimum rent under this office lease was \$201 thousand per year. The lease expired March 31, 2014 and the Trust did not renew the lease as it has moved its corporate headquarters to one of its own properties.

- (vi) Plaza Group Management Limited manages 527 Queen Street, Fredericton, NB, a property owned indirectly by Michael Zakuta and Earl Brewer. For the year ended December 31, 2014, property management fees of \$20 thousand (December 31, 2013 - \$20 thousand) were earned by Plaza Group Management Limited from this property.

(c) Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any trustee of the entity. The remuneration of trustees and other key management personnel of the Trust during the years ended December 31, 2014 and 2013 was as follows:

	2014	2013
Total key management personnel compensation – salaries and benefits	\$ 2,478	\$ 2,149

During the years ended December 31, 2014 and 2013 there were no amounts paid in post-employment benefits, long-term benefits or termination benefits.

(d) Significant Subsidiaries

	Ownership Interest	
	December 31, 2014	December 31, 2013
Plazacorp REIT ⁽¹⁾	-	100%
Plazacorp Operating Trust ⁽¹⁾	-	100%
Plaza Master Limited Partnership	100%	100%
Lemarchant Property Holdings Inc.	100%	100%
Plaza Retail Limited Partnership #1	100%	100%
Bedford Commons 2 Property Holdings Inc.	100%	100%
Plaza LPC Commercial Trust ⁽¹⁾	-	100%
Commercial Street Plaza Trust ⁽¹⁾	-	100%
Plaza Group Management Limited	100%	100%
Stavanger Torbay Limited Partnership	90%	90%
Spring Park Plaza Inc. ⁽²⁾	85%	85%
Granville Street Properties Limited Partnership ⁽²⁾	60%	60%
Wildan Properties Limited Partnership ⁽²⁾	60%	60%
Exhibition Plaza Inc. ⁽²⁾	55%	55%
Scott's Real Estate Limited Partnership	100%	100%
Scott's Acquisition Inc.	100%	100%
Riverside Emerald (Timmins) Limited Partnership	80%	-

⁽¹⁾ On January 1, 2014 the subsidiaries were dissolved as part of the conversion to a REIT structure.

⁽²⁾ Subsequent to year end, on January 1st, 2015 the ownership interest changed to 100% for Spring Park Plaza Inc., 90% for Granville Street Properties Limited Partnership and Wildan Properties Limited Partnership and 90% for Exhibition Plaza Inc. See subsequent event Note 27 for further details.

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23. Interests in Joint Operations

As described in Note 3(a), the consolidated financial statements include the Trust's proportionate interest in its activities characterized as joint operations with other parties. The following amounts represent the total proportionate amounts consolidated for these joint operations:

	December 31, 2014	December 31, 2013
Cash	\$ 4,176	\$ 4,054
Current assets	3,054	3,082
Long term assets	150,685	141,087
Current liabilities	3,539	16,015
Long term liabilities	82,200	52,957
Revenues	13,523	17,086
Expenses	9,731	8,710

The chart below details the Trust's ownership interest of direct and indirect investments and co-ownerships in real estate assets.

	Ownership Interest	
	December 31, 2014	December 31, 2013
<u>Accounting Method – Proportionate Consolidation</u>		
Les Galeries Montmagny and Plaza Tache, QC	50%	50%
Bureau en Gross, QC	50%	50%
Plaza SP Magog, QC	50%	50%
Carrefour des Seigneurs, QC	25%	25%
Galeries des Cantons, QC	50%	-
Plaza BDP Deux Montagnes, QC	37.5%	37.5%
Plaza Jean XXIII, QC	50%	50%
Plaza BBRF, QC	50%	50%
Plaza TS Magog, QC	50%	50%
Plaza De L'Ouest, QC	50%	50%
Plaza HDB, QC	33%	33%
4999 Queen Mary Road, QC	25%	25%
201 Chain Lake Drive Plaza, NS	50%	50%
209 Chain Lake Drive Plaza, NS	50%	50%
Tacoma Centre, NS	50%	50%
Tacoma Shoppers, NS	50%	50%
Robie Street Truro Plaza, NS	25%	25%
210 Wyse Road, NS	50%	50%
Scott Street Plaza, ON	50%	50%
St. Josephs Boulevard, ON	50%	50%
Civic Centre Road, ON	50%	50%
Ontario Street Port Hope, ON	50%	50%
Dufferin and Wilson, ON	50%	50%
615 King Street, ON	50%	50%
KGH Plaza, NB	25%	25%
681 Mountain Road, NB	25%	25%
201 Main Street - Sussex, NB	25%	25%
University Plaza, PE ⁽¹⁾	43%	43%
The Village Shopping Centre, NL	44.5%	44.5%

⁽¹⁾ Subsequent to year end, on January 1st, 2015 the ownership interest changed to 86%. See subsequent event Note 27 for further details.

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

(a) Contingencies

The \$20.0 million development line of credit has \$1.5 million available for use in the form of letters-of-credit. At December 31, 2014, there were no letters-of-credit issued and outstanding (December 31, 2013 – nil).

The \$15.0 million development line of credit has \$500 thousand available for use in the form of letters-of-credit. At December 31, 2014, there were no letters-of-credit issued and outstanding (December 31, 2013 – nil).

The \$30.0 million operating line of credit has \$2.0 million available for use in the form of letters-of-credit. At December 31, 2014, letters-of-credit in the amount of \$20 thousand were issued and outstanding (December 31, 2013 - \$137 thousand).

The \$4.4 million secured construction loan has \$2.6 million available for use in the form of letters-of-credit. At December 31, 2014, letters-of-credit in the amount of \$195 thousand were issued and outstanding (December 31, 2013 – n/a).

(b) Commitments

The Trust's estimated commitments at December 31, 2014 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	After 5 Years	Face Value Total
Mortgages – periodic payments	\$ 8,792	\$ 8,733	\$ 8,044	\$ 7,673	\$ 6,919	\$ 31,640	\$ 71,801
Mortgages – due at maturity	15,955	42,132	34,334	18,862	39,056	188,726	339,065
Bridge facility	27,600	-	-	-	-	-	27,600
Development lines of credit	5,000	-	-	-	-	-	5,000
Construction loans	1,845	-	-	-	-	-	1,845
Bank indebtedness	6,155	-	-	-	-	-	6,155
Mortgage bonds payable	4,000	2,085	3,000	-	-	-	9,085
Debentures ⁽¹⁾	-	9,155	16,921	38,000	-	-	64,076
Operating land leases ⁽²⁾	3,106	3,129	3,172	3,153	3,192	137,944	153,696
Development activities	14,497	-	-	-	-	-	14,497
Total contractual obligations	\$ 86,950	\$ 65,234	\$ 65,471	\$ 67,688	\$ 49,167	\$ 358,310	\$ 692,820

⁽¹⁾ Stated at face value.

⁽²⁾ Operating land leases expire on dates ranging from 2017 to 2084 (including automatic renewal periods) with non-automatic renewal options ranging from 10 to 66 years.

(c) Guarantees and Indemnities

The Trust continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. At December 31, 2014 a \$5.9 million commitment (December 31, 2013 - \$7.5 million) relating to the mortgages on three assets in which the Trust sold a 75% interest in January of 2009 is subject to such guarantees by the Trust. These mortgages have a weighted average remaining term of 8.1 years (December 31, 2013 - 7.6 years).

The Trust is contingently liable for certain obligations of its co-venturers. The guarantees provided to the mortgagees of two strip plazas in Moncton, NB and Shediac, NB and four free-standing properties located in Granby, QC, Amherstview, ON, Perth, ON and Port Perry, ON are subject to cross-guarantees provided by the other co-owners for the full amounts of the loans. At December 31, 2014 the Trust's total exposure on the cross-guarantees is \$20.3 million (December 31, 2013 - \$13.8 million).

(d) Litigation

The Trust believes that any liability that may arise from current or pending litigation would not have a significant adverse effect on these financial statements.

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(e) Provisions

A provision is recognized if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The Trust has no provisions recorded at December 31, 2014 (December 31, 2013 – nil).

25. Financial Instruments and Risk Management

In the normal course of its business, the Trust is exposed to a number of risks that can affect its operating performance. The Trust's Board of Trustees monitors the Trust's risk management practices through periodic reviews. These risks and the action taken to manage them are as follows:

(a) Interest Rate Risk

The Trust adopts a policy of holding floating rate debt generally only for properties under development and those pledged to support the operating line of credit. All other debt is converted to fixed rate debt, when market conditions are favorable, as soon as practical after an asset attains income producing status.

The Trust has classified its fixed rate financial assets and liabilities as held-to-maturity. Therefore a change in interest rates at the reporting date would not affect profit or loss on these. The Trust minimizes its exposure to fixed rate interest risk by staggering the maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The Trust also obtains longer term financing as much as possible (10 years or longer) in order to help mitigate interest rate risk.

The Trust had entered into interest rate swap contracts with a Canadian chartered bank in connection with mortgages obtained in 2010, in order to convert the mortgages from variable rates to fixed rates. As the swaps relate to debt of an equity-accounted investee, the interest rate swap contracts have been recorded at fair value in investments with changes in fair value reflected in share of profit of associates. The fair value of these contracts results in a liability, for the Trust's share, of \$112 thousand at December 31, 2014 (December 31, 2013 – \$189 thousand). There is a risk that interest rates will fluctuate during the term of the mortgages. The Trust intends to hold the mortgages to maturity and therefore would not realize the fair value fluctuations.

Trade receivables and payables (other than tenant deposits) are interest free and have settlement dates within one year.

An increase of 100 basis points in interest rates at December 31, 2014 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by \$406 thousand (for the year ended December 31, 2013 – \$691 thousand).

(b) Lease Rollover and Occupancy Risk

The Trust is exposed to the risk of not being able to replace tenants as leases expire or development space becomes available. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately \$630 thousand per annum. The Trust's principal management of occupancy risk involves the skewing of tenancies towards national tenants, the signing of longer term leases and significant preleasing of development space. As well, the Trust attempts to stagger the lease expiry profile so that the Trust is not faced with a disproportionate amount of square footage of leases expiring in any one year. The Trust further mitigates this risk by maintaining a diversified portfolio mix both by retail asset type and geographic location and maintaining a well-staffed and highly skilled leasing department to deal with all leasing issues.

(c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighted to national and regional tenants, which now comprise 94.6% of the in-place tenant base (December 31, 2013 – 92.3%). As well, the Trust limits loans granted under lease arrangements to credit-worthy national tenants.

The Trust minimizes its credit risk on investment bonds by having them consist generally of Government of Canada bonds.

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The Trust generally provides financial guarantees only to wholly-owned subsidiaries and joint venture partners only during the development periods, subject to reciprocal indemnities, by utilizing established development lines of credit. Where lenders of first mortgages on joint arrangement properties require financial guarantees from the Trust, reciprocal indemnities are obtained from the Trust's joint arrangement partners. Guarantees are generally limited to the lower of 75% of the asset cost or 65% of the fair market value. See Note 24(c) for details of guarantees.

The Trust limits cash transactions to high quality financial institutions to minimize its credit risk from cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Carrying Amount	December 31, 2014	December 31, 2013
Held-to-maturity investments	\$ 8,737	\$ 568
Tenant loans, receivables and notes receivable	9,327	13,071
Cash	6,370	25,280
Total	\$ 24,434	\$ 38,919

The Trust's most significant customer, a national retailer, accounts for \$430 thousand of tenant loans at December 31, 2014 (December 31, 2013- \$318 thousand).

Shoppers Drug Mart represents 25% of monthly base rents in place at December 31, 2014, while franchisees of KFC represent 12.1% of monthly base rents in place. The top 10 tenants collectively represent approximately 57.9% of monthly base rents in place.

Deposits refundable to tenants may be withheld by the Trust in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

(d) Liquidity and Debt Market Risk

Prudent liquidity risk management implies maintaining sufficient cash and an adequate amount of committed credit facilities to run the business and pay obligations as they come due. The Trust manages its cash resources and committed credit facilities based on financial forecasts and anticipated cash flows. In terms of debt, there is always the risk that lenders may tighten their lending standards, which could make it challenging for the Trust to obtain financing on favourable terms or any terms at all. If this were to occur, it could adversely impact the Trust. The Trust staggers the maturities of its long-term debt to avoid excessive amounts of debt maturing in any one year. As well, the Trust obtains longer term financing as much as possible (10 years or longer) in order to help mitigate debt market risk. Several mortgages and the development lines contain material adverse change clauses which entitle the lenders to demand partial or full loan repayment when there are material adverse changes in the Trust's financial position. The Trust has determined that circumstances that could trigger action by a lender under these clauses are unlikely.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	1-2 years	2-5 years	More than 5 years
Accounts payable and accrued liabilities	11,860	11,860	11,860	-	-
Debentures payable	65,509	54,306	9,057	45,249	-
Notes payable	1,175	1,175	1,175	-	-
Bank indebtedness	6,155	6,298	6,298	-	-
Bridge facility	27,537	28,368	28,368	-	-
Mortgage bonds payable	8,995	9,842	6,754	3,088	-
Mortgages payable	416,672	542,977	93,707	163,920	285,350

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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(e) Fair Value

Generally, trading values for the Trust's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Trust must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of fixed rate mortgages are corresponding term Government of Canada Bonds plus credit spreads of 1.80% to 2.30% (December 31, 2013 – 1.95% to 2.65%). The rates used to determine the fair value of mortgage bonds range from 4.90% to 5.00% (December 31, 2013 – 4.90% to 5.00%). The rate used to determine the fair value of non-convertible debentures is 4.50%.

The following chart shows the estimated fair value of the Trust's financial instruments.

	Book Value December 31, 2014	Fair Value December 31, 2014	Book Value December 31, 2013	Fair Value December 31, 2013
Cash	\$ 6,370	\$ 6,370	\$ 25,280	\$ 25,280
Receivables	1,850	1,850	2,624	2,624
Notes receivable	5,131	5,131	8,096	8,096
Held-to-maturity investments	8,737	8,737	568	568
Tenant loans	2,346	2,346	2,351	2,351
Total Financial Assets	\$ 24,434	\$ 24,434	\$ 38,919	\$ 38,919
Bank indebtedness	\$ 6,155	\$ 6,155	\$ -	\$ -
Accounts payable and accrued liabilities	11,860	11,860	11,831	11,831
Total net fixed rate mortgage loans	409,924	424,378	395,547	399,567
Total net variable rate mortgage loans	6,748	6,748	23,653	23,653
Convertible debentures	61,548	61,548	94,513	94,513
Non-convertible debentures	3,961	4,026	3,910	3,910
Mortgage bonds payable	8,995	9,115	10,921	11,241
Bridge facility	27,537	27,537	44,393	44,393
Notes payable	1,175	1,175	919	919
Total Financial Liabilities	\$ 537,903	\$ 552,542	\$ 585,687	\$ 590,027

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

The fair value of the Trust's bridge facility approximates its recorded value due to its short-term nature.

The fair value of the tenant loans approximate their book value with the interest rates ranging from 3.00% to 9.45% (December 31, 2013 - 5.00% to 9.45%).

The fair value of the Trust's exposure from mortgage guarantees and indemnities are nil.

At December 31, 2014, the fair value of the Trust's investment in Government of Canada Bonds of \$8.7 million (December 31, 2013 - \$568 thousand) approximates fair value. The Trust had no exposure to financial hedges or embedded derivatives as at December 31, 2014 (December 31, 2013 – nil).

In accordance with IFRS, the Trust is required to classify its financial instruments carried at fair value in the financial statements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data.

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The following table shows the fair values and fair value hierarchies for financial assets and financial liabilities and other statement of financial position items recorded at fair value and disclosed in the notes to financial statements.

	December 31, 2014			December 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 889,291	\$ -	\$ -	\$ 900,165
Investment properties held for sale	-	-	550	-	-	-
Cash	-	6,370	-	-	25,280	-
Receivables	-	1,850	-	-	2,624	-
Notes receivable	-	5,131	-	-	8,096	-
Held-to-maturity investments	-	8,737	-	-	568	-
Tenant loans	-	2,346	-	-	2,351	-
	\$ -	\$ 24,434	\$ 889,841	\$ -	\$ 38,919	\$ 900,165
Bank indebtedness	\$ -	\$ 6,155	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	11,860	-	-	11,831	-
Total net fixed rate mortgage loans	-	424,378	-	-	399,567	-
Total net variable rate mortgage loans	-	6,748	-	-	23,653	-
Non-convertible debentures	-	4,026	-	-	3,910	-
Mortgage bonds payable	-	9,115	-	-	11,241	-
Notes payable	-	1,175	-	-	919	-
Bridge facility	-	27,537	-	-	44,393	-
Series A, B, C & D convertible debentures	61,548	-	-	77,016	-	-
Series VI convertible debentures	-	-	-	-	17,497	-
	\$ 61,548	\$ 490,994	\$ -	\$ 77,016	\$ 513,011	\$ -

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers.

In the prior year, the fair value of the Series VI convertible debentures payable was determined by using an industry standard pricing model which used the Company's share price, share volatility and yields on Government of Canada bonds.

To mitigate the interest rate risk on two of the variable rate mortgages, included in investments, interest rate swaps are in place and mature on July 31, 2020. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

26. Capital Management

The primary objective of the Trust's capital management is to ensure that it maintains adequate capital resources in order to support its business and maximize unitholder value. The Trust manages its capital structure with the primary goal of minimizing risk and ensuring the stability of cash flow from properties. Other goals include maintaining debt service and interest coverage ratios in compliance with bank and debenture covenants. The Trust has defined its capital to include bank indebtedness, mortgages payable, debentures payable, mortgage bonds payable, notes payable, the bridge facility and unitholders' equity.

Bank operating, bridge facility and development lines require maintenance of at least \$150 million of unitholders' equity; maximum leverage of 70% including convertible debentures and 65% excluding convertible debentures; maintenance of debt service coverage ratios in excess of 1.5 times with the debt service coverage ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. The bank operating line also requires 90% occupancy of pledged assets, 65% loan to value and debt service coverage constraints of 1.30. In addition, under a development line, the Trust must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets less fair value adjustments of not more than 70%. The Trust is in compliance with all debt covenants at December 31, 2014.

There were no changes to the Trust's approach to capital management for the year ended December 31, 2014.

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The calculation of the total capital is summarized as follows:

	December 31, 2014	December 31, 2013
Total net fixed rate mortgage loans	\$ 409,924	\$ 395,547
Total net variable rate mortgage loans	6,748	23,653
Mortgage bonds payable	8,995	10,921
Debentures payable	65,509	98,423
Bank indebtedness	6,155	-
Bridge facility	27,537	44,393
Notes payable	1,175	919
	526,043	573,856
Unitholders' equity	407,386	327,641
Total	\$ 933,429	\$ 901,497

27. Subsequent Events

Distribution and Distribution Reinvestment Plan

The Trust paid a cash distribution of \$0.02 per unit for a total of \$1.8 million on January 15, 2015 and 22 thousand units were issued at a purchase price of \$3.98 per unit for a total of \$86 thousand under the Distribution Reinvestment Plan.

The Trust paid a cash distribution of \$0.020833 per unit for a total of \$1.8 million on February 16, 2015 and 22 thousand units were issued at a purchase price of \$4.11 per unit for a total of \$92 thousand under the Distribution Reinvestment Plan.

Financings

In 2015, the Trust refinanced a long term mortgage on a property located in Miramichi, NB in the amount of \$3.0 million with a 10 year term and an interest rate of 3.72%.

In 2015, long term financing was obtained on a property located in St. Hyacinthe, QC in the amount of \$1.25 million with a 15 year term and an interest rate of 4.58%. This property is held in a limited partnership of which the Trust owns 25%.

Investment Properties

In January 2015, the Trust sold properties in Drayton Valley, AB for gross proceeds of \$0.5 million.

Subsequent to year end, conditions were waived by the purchaser for the sale of a property located in Oshawa, ON. The sale is expected to close in March 2015. Total gross proceeds for the sale are \$850 thousand.

Subsequent to year end, conditions were waived by the Trust on the purchase of one land assembly located in Cornerbrook, NFLD and one property for redevelopment located in Charlottetown, PE. The total purchase price for these two properties is \$6 million.

Buyout of Equity Partners' Interests

On January 1, 2015, the Trust bought out the interests of certain equity partners in eight properties located in New Brunswick and Prince Edward Island. Plaza owned interests in each of the properties between 43% and 85% and now owns between 86% and 100% of each. The net purchase price, after the assumption of debt, was \$6.1 million which was satisfied by the issuance of 1,319,000 exchangeable limited partnership units of a subsidiary LP at a price of \$4.60 per unit, which are exchangeable at any time into units of Plaza on a one-for-one basis.

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