



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, 2017 AND 2016**

DATED: FEBRUARY 22, 2018

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PRESIDENT'S MESSAGE

Fellow Unitholders:

We are pleased to report our results for the year ended December 31, 2017. Plaza Retail REIT continued to grow in 2017 through redevelopment and new development projects across our geography. Our Board of Trustees approved our 15th consecutive annual distribution increase for 2018. Plaza has grown its distribution by 250% over the last 15 years. Our initial distribution of 8 cents per unit in 2003 has grown to 28 cents per unit in 2018.

Plaza's very focused and unique business model has delivered and should continue to deliver cash flow and distribution growth for our unitholders. The retail industry continues to experience dramatic changes. E-commerce disruption continues to influence retailer strategies, but creates opportunities for development-oriented landlords like ourselves. Plaza's unit price has been significantly impacted by investors exiting retail REITs across North America. We believe that many of the reasons for this mass exit are not relevant to the Canadian retail REIT landscape or to Plaza. The Sears bankruptcy added additional selling pressure on retail REITs.

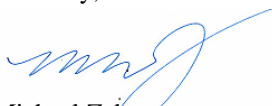
Plaza possesses strong leasing and development infrastructures and as a result can seize interesting growth opportunities. For example, we were able to quickly take advantage of the Sears store closures. We acquired a 50% interest in a Sears store in Saguenay, QC in December 2017. This store features an excellent location in the heart of the market's main commercial area and will be redeveloped into approximately 10 units leased to national retailers. In January 2018, we acquired the 1000 Islands Mall in Brockville, ON. The mall's main anchor was a Sears store and we are in the process of simplifying the enclosed mall into a strip centre and redeveloping the former Sears store into a number of retail units. This redevelopment will dramatically transform this property.

Plaza's development and redevelopment pipeline remains strong. We foresee continued growth and opportunity for both redevelopments and new development projects. We continue to pursue a number of joint venture initiatives with various types of partners, such as residential land developers with excess retail lands and institutions and property owners seeking a strong and capable development partner such as Plaza. Plaza will continue to re-cycle capital in order to fund its growth and will pursue structured deals with private and institutional investors.

Plaza's business model has always focused on developing or redeveloping new space for value, specialty and necessity-based retailers. Over the years, we have built a stable and geographically diversified portfolio to support our monthly distributions to unitholders. In today's investment environment, we offer investors a compelling yield combined with future growth.

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 22, 2018. The financial statements to which this MD&A relates were 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 Audit Committee on behalf of the Board of Trustees.

In this MD&A, Plaza reports non-IFRS financial measures, including: funds from operations ("FFO"); adjusted funds from operations ("AFFO"); earnings before interest, taxes, depreciation and amortization ("EBITDA"); and same-asset net property operating income ("same-asset NOI"). Plaza also reports net property operating income ("NOI") as an additional IFRS measure. These measures are widely used in the Canadian real estate industry. Plaza believes these financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of Plaza. These financial measures do not have any standardized definitions prescribed by IFRS and may not be comparable to similar titled measures reported by other entities. Refer to Part VII of this MD&A under the headings "Explanation of Non-IFRS Measures Used in this Document" and "Explanation of Additional IFRS Measures Used in this Document", for definitions of these financial measures.

FORWARD-LOOKING DISCLAIMER

This MD&A should be read in conjunction with the Trust's Consolidated Financial Statements and the notes thereto for the year ended December 31, 2017 and 2016, along with the MD&A of the Trust for the year ended December 31, 2016, 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 numerous risks and uncertainties, including those described under the heading "Risks and Uncertainties" in this MD&A. This may cause the actual results and performance of the Trust to differ materially from the forward-looking statements contained in this MD&A. Without limiting the foregoing, the words "believe", "expect", "continue", "anticipate", "should", "may", "intend", "estimate", "plan" or variations of such words and similar expressions identify forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include, but are not limited to, statements related to distributions, development activities, financing and the availability of financing sources. Factors that could cause actual results to differ from the forward-looking statements include, but are not limited to: economic, retail, capital market, debt market and competitive real estate conditions; Plaza's ability to lease space; changes in interest rates; changes in operating costs; the availability of development and redevelopment opportunities for growth; and government regulations. Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions, however, management can give no assurance that actual results will be consistent with these forward-looking statements.

These forward-looking statements are made as of February 22, 2018 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, requires 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 (a "REIT") established pursuant to its declaration of trust dated as of November 1, 2013 (the "Declaration of Trust"). Plaza is the successor to Plazacorp Retail Properties Ltd., which began operations in late 1999. Plaza trades on the Toronto Stock Exchange under the symbol "PLZ.UN".

Plaza is a developer, owner and manager of retail real estate primarily in Atlantic Canada, Quebec and Ontario. Plaza offers a unique business strategy that differs from many of its peers in the real estate industry.

- Plaza has a 15 year history of accretive growth and value creation, since beginning to pay distributions in late 2002;
- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed and enclosed retail real estate throughout Canada;
- Plaza has strong relationships with leading retailers;

Plaza Retail REIT

- Plaza has a competitive advantage as a developer in Atlantic Canada;
- Plaza's entrepreneurial abilities allow it to adapt more easily to changing market conditions;
- Plaza is fully internalized and able to develop retail properties in-house;
- Plaza minimizes the amount of short-term debt that it obtains, therefore locking in returns for unitholders and minimizing financing risk;
- Insiders hold a significant position in Plaza; and
- Plaza is focused on cash flow per unit and per unit growth and conducts its business in order to maximize this and, accordingly, distributions for unitholders.

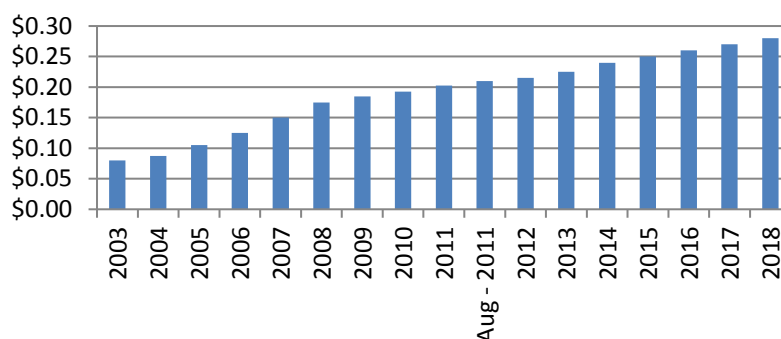
Plaza's growth is driven by value-add developments and redevelopments as well as organic growth from the existing portfolio as leases roll-over. Plaza's unique business strategy and focus on cash flow per unit has allowed it to increase its distribution every year since it began paying distributions in November 2002. Plaza's distribution compounded annual growth rate is approximately 9%.

Yearly Distribution/Dividend Growth

2003 ⁽¹⁾	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%
2016	26.00¢	4.0%
2017	27.00¢	3.8%
2018	28.00¢	3.7%

⁽¹⁾ Plaza began paying distributions in November 2002. 2003 is the first full year of distribution payments.

Distributions/Dividends per unit



The Board of Trustees approved the 15th consecutive annual distribution increase to \$0.28 per unit for 2018, representing a 3.7% increase from 2017, and is effective for the regularly scheduled monthly distribution payment dates beginning with the January distribution, which was payable February 15, 2018.

Summary of Properties

The Trust's portfolio at December 31, 2017 includes interests in 298 properties totaling approximately 7.8 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.

	Number of Properties December 31, 2017 ⁽¹⁾	Gross Leasable Area (sq. ft.) December 31, 2017 ^{(1) (2)}	Number of Properties December 31, 2016 ⁽¹⁾	Gross Leasable Area (sq. ft.) December 31, 2016 ^{(1) (2)}
Alberta	10	52,513	10	52,348
Newfoundland and Labrador	12	679,544	12	679,926
New Brunswick	51	1,837,420	51	1,890,336
Nova Scotia	37	1,180,164	37	1,175,940
Manitoba	6	30,424	6	30,424
Ontario	71	1,262,229	73	1,265,621
Prince Edward Island	11	595,413	11	595,821
Quebec	100	2,196,332	98	2,078,534
Total	298	7,834,039	298	7,768,950

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

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

BUSINESS ENVIRONMENT AND OUTLOOK

Plaza's entrepreneurial culture and adaptability, combined with its strong fully internalized platform, has allowed, and will continue to allow, Plaza to grow and take advantage of opportunities in the market-place. Plaza has always had a focused strategy of growing the business through value-add developments and redevelopments and opportunistic acquisitions. Its properties are primarily leased to national retailers, with a focus on retailers in the consumer staples market segment – a segment that tends to withstand broader economic conditions or other retail trends, such as online sales. Plaza's execution of this strategy and its leasing efforts over the years have produced a portfolio that is dominated by national retailers, providing investors with a stable and growing cash flow. Barring unforeseen events, management believes it can continue to deliver growth and a solid performance in 2018.

While it continues to be tough for certain retailers, particularly those focused on fashion, retailers with a focus on consumer staple goods or value goods continue to perform well. These are the retailers that dominate Plaza's portfolio and ongoing developments/redevelopments.

Notwithstanding increases in Government of Canada bond rates as a result of Bank of Canada rate increases (and anticipated further ones in 2018), long-term debt financing continues to be readily available from lenders, not only at competitive and low fixed rates, but with long amortization periods and long terms as well.

DEVELOPMENT PIPELINE AND ACQUISITIONS/DISPOSITIONS

Development Pipeline

Plaza's development pipeline is robust and will continue to drive growth going forward. Plaza currently owns an interest in the following projects under development or redevelopment which, upon completion, are expected to be accretive to Plaza'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:

Plaza Retail REIT

Properties under development/redevelopment	Square Footage ⁽¹⁾	Ownership	Occupied or Committed at December 31, 2017 ⁽⁴⁾	Anticipated Completion Date
In Planning/In Development:				
Strip Plaza:				
Plaza de L'Ouest, Sherbrooke, QC – Phase III	30,000	50%	n/a	1-2 years
Fairville Boulevard, Saint John, NB – Phase III	10,000	100%	n/a	1-2 years
St. Jerome, St. Jerome (Montreal), QC -Phase III ⁽²⁾	100,000	20%	n/a	1-2 years
7550 Rue Beclard, Anjou, QC ⁽³⁾	40,030	100%	n/a	Q3 2018
100 Saint-Jude Nord, Granby, QC – Phase II ⁽²⁾	100,000	8%	n/a	2-3 years
90 Blvd. Tache Ouest, Montmagny, QC	3,500	50%	n/a	1-2 years
Lawrence Avenue Plaza, Scarborough (Toronto), ON ⁽³⁾	7,540	100%	100%	Q3 2018
1324 Blvd Talbot, Saguenay (Chicoutimi), QC	84,000	50%	n/a	2019
The Shoppes at Galway, St. John's, NL – Phase I ⁽²⁾	265,000	50%	n/a	1-2 years
The Shoppes at Galway, St. John's, NL – Phase II ⁽²⁾	335,000	50%	n/a	2-3 years
The Shoppes at Galway, St. John's, NL – Phase III ⁽²⁾	100,000	50%	n/a	2-3 years
Single Use:				
1675 Rue Notre Dame Ouest, Lachine, QC ⁽³⁾	2,989	100%	n/a	1-2 years
9205 Bd. Lacordaire, St. Leonard, QC ⁽³⁾	2,632	100%	n/a	Q3 2018
6685 Century Avenue, Mississauga, ON	70,000	50%	100%	Q2 2019
144 Denison, Granby, QC ⁽²⁾	10,000	25%	100%	Q4 2018
Queens Plaza Dr, Liverpool, NS	10,000	100%	100%	Q4 2018
Expansion:				
Bedford Commons Plaza, Bedford (Halifax), NS	3,500	100%	100%	Q3 2018
Pleasant Street, Yarmouth, NS	2,000	100%	n/a	1-2 years
In Construction:				
Enclosed Mall to Strip Plaza:				
Park Street Plaza, Kenora, ON	69,177	20%	97%	Q2 2018
Mountainview Plaza, Midland, ON	201,448	20%	99%	Q2 2018
Northumberland, Miramichi, NB	102,436	50%	96%	Q2 2018
Eastcourt, Cornwall, ON	144,075	50%	96%	Q1 2018
Timiskaming, New Liskeard, ON	93,284	50%	60%	Q3 2018
Strip Plaza:				
600 JP Perrault, Sherbrooke, QC	103,822	50%	74%	Q1 2018
Single Use:				
3000 Bd. St. Charles, Kirkland, QC ⁽³⁾	2,554	100%	100%	Q1 2018
1943 Baseline Road, Ottawa, ON	1,590	100%	100%	Q1 2018
Expansion:				
9025 Torbram Rd, Brampton, ON ⁽³⁾	34,272	100%	100%	Q3 2018
Main Place, Fredericton, NB	2,178	100%	100%	Q4 2018
Gateway Mall, Sussex, NB ⁽²⁾	3,000	25%	100%	Q3 2018
KGH Plaza, Miramichi, NB	3,000	25%	100%	Q3 2018
Lansdowne Plaza, Saint John, NB	3,000	100%	100%	Q3 2018
Total	1,940,027			

(1) Approximate square footage upon completion or to be added on expansion.

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

(3) This is an existing property being redeveloped.

(4) Occupied or committed based on redeveloped square footage.

Plaza's goal is to achieve unlevered returns on developments/redevelopments of between 8%-10%.

There is excess density at existing properties which would represent approximately 62 thousand additional square feet of gross leasable area.

At December 31, 2017, there are three land assemblies under purchase agreement and subject to due diligence or other conditions. These land purchases, if executed, will represent an additional 54 thousand square feet of retail space at completion.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between \$100 million and \$110 million, of which approximately \$63 million has already been spent (at Plaza's ownership percentage). The unspent amount has not been fully or specifically budgeted or committed at this time. For the projects in construction, remaining costs to complete are between \$4 million and \$5 million. For the projects in planning or in development that are expected to be completed by the end of 2018, remaining costs to complete are between \$3 million and \$4 million.

Acquisitions/Dispositions

During the year ended December 31, 2017, the Trust purchased the following (all including closing costs): land adjacent to an existing property in Picton, ON for \$217 thousand; land in Fredericton, NB for \$287 thousand; land in Dunnville, ON for \$279 thousand; land in Gatineau, QC for \$1.1 million; a 50% interest in development lands in Mississauga, ON for \$6.1 million; a 50% interest in an existing property for redevelopment in Saguenay, QC for \$3.3 million; and development lands in Liverpool, NS for \$168 thousand.

In January 2018, the Trust increased its interest in the Northwest Centre, Moncton, NB and Shediac West Plaza, Shediac, NB, from 10% to 50%, with a Canadian pension fund buying the other 50% interest on a co-ownership basis. Both properties were previously co-owned with the Trust through two retail syndications. The Trust's incremental gross investment is approximately \$17.0 million, and its incremental net investment is approximately \$5.6 million. The previous syndications for these two properties, whose interests were bought out as a result of these transactions, included certain related parties of the Trust – namely; Earl Brewer, Michael Zakuta, Edouard Babineau and Denis Losier. A Special Committee of Independent Trustees of the Trust was formed to review and approve the related party transactions.

In January 2018, the Trust acquired a property for redevelopment in Brockville, ON for \$14.0 million. The Trust satisfied the purchase price through \$4.9 million in cash and a new \$9.1 million borrowing facility at a cost of prime plus 1.25%. Development/construction expenses will be financed through the expansion of this facility.

Subsequent to year end the Trust purchased lands in Oshawa, ON for \$2.5 million.

During the year ended December 31, 2017, the Trust disposed of surplus land in Kenora, ON for net proceeds of \$92 thousand which was recorded as investment properties held for sale at December 31, 2016. The Trust also disposed of land in Calgary, AB and in Miramichi, NB for net proceeds of \$78 thousand and \$272 thousand, respectively. The Trust disposed of properties in North Sydney, NS, for net proceeds of \$215 thousand, in Oshawa, ON for net proceeds of \$662 thousand, in Hamilton, ON for net proceeds of \$577 thousand and in Niagara Falls, ON for net proceeds of \$287 thousand. The Trust also disposed of a 50% non-managing interest in eight properties in Edmundston, NB, Woodstock, NB, Grand Falls, NB, Yarmouth, NS and Sydney, NS for net proceeds of \$17.3 million (\$7.3 million after assumption of 50% of the existing mortgages).

Subsequent to year end conditions were waived by the purchaser to buy land and building in Perth, ON and Ottawa, ON from the Trust for net proceeds of \$0.6 million. The sale by the Trust is set to close on February 28, 2018.

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

	12 Months Ended December 31, 2017 (unaudited)	12 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2015 (unaudited)
(000s, except as otherwise noted)			
Property rental revenue	\$ 102,887	\$ 100,215	\$ 96,050
Total revenue	\$ 105,963	\$ 108,029	\$ 101,854
NOI ⁽¹⁾	\$ 64,358	\$ 62,672	\$ 60,898
Same-asset NOI ⁽¹⁾	\$ 58,117	\$ 58,073	N/A ⁽³⁾
FFO ⁽¹⁾	\$ 35,888	\$ 32,650	\$ 31,314
AFFO ⁽¹⁾	\$ 33,288	\$ 29,259	\$ 27,250
EBITDA ⁽¹⁾	\$ 60,016	\$ 58,661	\$ 57,568
Profit and total comprehensive income	\$ 23,447	\$ 32,758	\$ 38,595
Total assets	\$ 1,031,335	\$ 1,029,892	\$ 1,023,887
Total non-current liabilities	\$ 450,020	\$ 484,587	\$ 483,824
Total mortgages, mortgage bonds, notes payable, bank credit facilities	\$ 490,305	\$ 488,344	\$ 514,466
Total debentures	\$ 49,773	\$ 60,172	\$ 64,490
Weighted average units outstanding ⁽²⁾	102,385	98,100	94,014
Amounts on a Per Unit Basis			
FFO ⁽¹⁾	\$ 0.351	\$ 0.333	\$ 0.333
AFFO ⁽¹⁾	\$ 0.325	\$ 0.298	\$ 0.290
Distributions	\$ 0.270	\$ 0.260	\$ 0.250
Financial Ratios			
Weighted average interest rate – fixed rate mortgages	4.39%	4.46%	4.59%
Debt to gross assets (excluding converts)	48.4%	47.7%	50.5%
Debt to gross assets (including converts)	52.2%	53.0%	56.4%
Interest coverage ratio ⁽¹⁾	2.36x	2.18x	2.08x
Debt coverage ratio ⁽¹⁾	1.68x	1.58x	1.55x
Distributions as a % of FFO	77.1%	78.5%	75.1%
Distributions as a % of AFFO	83.1%	87.6%	86.3%
Leasing Information			
Square footage leased during the period (total portfolio)	1,111,025	1,049,545	922,065
Committed occupancy ⁽⁴⁾	95.2%	96.1%	96.1%
Same-asset committed occupancy ⁽⁴⁾	95.1%	96.3%	N/A ⁽³⁾
Mix of Tenancy Based on Square Footage⁽⁴⁾			
National	90.4%	90.7%	90.5%
Regional	3.9%	4.0%	4.1%
Local	4.1%	4.2%	4.2%
Non retail	1.6%	1.1%	1.2%
Other			
Average term to maturity - mortgages	6.0 Years	6.4 years	6.5 years
Average term to maturity - leases ⁽⁴⁾	5.8 Years	6.2 years	6.5 years
IFRS capitalization rate	7.02%	7.03%	7.04%

Property Type Breakdown	Number of Properties December 31, 2017	Square Footage (000s)	Number of Properties December 31, 2016	Square Footage (000s)
Strip	106	5,403	103	5,332
Enclosed	5	971	5	1,036
Single Use – Quick Service Restaurant	125	434	128	377
Single Use – Retail	62	1,026	62	1,024
Total	298	7,834	298	7,769

⁽¹⁾ Refer to Part VII under the headings “Explanation of Non-IFRS Measures used in this Document” and “Explanation of Additional IFRS Measures used in this Document” for further explanations.

⁽²⁾ Includes Class B exchangeable limited partnership (“LP”) units.

⁽³⁾ Not applicable as the same-asset calculation relates to assets owned since January 1, 2016.

⁽⁴⁾ Excludes properties under development and non-consolidated investments.

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 depreciated 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;
- 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 twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016.

FFO⁽¹⁾		YTD Q4 2017	YTD Q4 2016
	FFO	\$35,888	\$32,650
	FFO per unit	\$0.351	\$0.333
	Distributions as a % of FFO	77.1%	78.5%
	<ul style="list-style-type: none"> ➤ The increase in FFO and FFO per unit was mainly due to growth in NOI from developments/redevelopments/acquisitions of \$2.0 million, an increase in non-recurring lease buyout revenues of \$1.4 million and a decrease in finance costs of \$1.7 million mainly due to lower debenture interest due to the redemption of Series B and Series C convertible debentures. ➤ Even excluding the impact of lease buyouts, FFO and FFO per unit would have increased by 3.5% and 7.0%, respectively. 		
AFFO⁽¹⁾		YTD Q4 2017	YTD Q4 2016
	AFFO	\$33,288	\$29,259
	AFFO per unit	\$0.325	\$0.298
	Distributions as a % of AFFO	83.1%	87.6%
	<ul style="list-style-type: none"> ➤ The principal factors influencing AFFO are consistent with those impacting FFO. 		
Debt Service Ratios⁽¹⁾		YTD Q4 2017	YTD Q4 2016
	Interest coverage ratio	2.36x	2.18x
	Debt coverage ratio	1.68x	1.58x
	<ul style="list-style-type: none"> ➤ The increase mainly reflects: (i) lower finance costs mainly due to lower debenture interest due to the redemption of Series B and Series C convertible debentures; and (ii) higher EBITDA due to higher NOI, mainly as a result of growth from developments/redevelopments as well as the lease buyout revenues. 		
Debt to Gross Assets		Q4 2017	Q4 2016
	Debt to gross assets (excluding converts)	48.4%	47.7%
	Debt to gross assets (including converts)	52.2%	53.0%
	<ul style="list-style-type: none"> ➤ The increase excluding converts is mainly due to the issuance of \$6.0 million in Series II unsecured non-convertible debentures in February 2017, as well as an increase in the operating line balance. Including convertible debentures, the current year ratio was also impacted by the redemption of the Series B and C convertible debentures. 		
Same-Asset NOI⁽¹⁾		YTD Q4 2017	YTD Q4 2016
	Same-asset NOI	\$58,117	\$58,073
	<ul style="list-style-type: none"> ➤ Same-asset NOI increased 0.1% over the prior year. Rent steps in the portfolio more than offset vacancies and two significant lease buyouts concluded during 2017. ➤ The two lease buyouts decreased same-asset NOI by \$445 thousand. 		
Weighted Average Interest Rate – Fixed Rate Mortgages		Q4 2017	Q4 2016
	Weighted average interest rate – fixed rate mortgages	4.39%	4.46%
	<ul style="list-style-type: none"> ➤ The decrease was a result of continued financings at low rates. 		
Occupancy Levels		Q4 2017	Q4 2016
	Committed occupancy	95.2%	96.1%
	Same-asset committed occupancy	95.1%	96.3%
	<ul style="list-style-type: none"> ➤ The two lease buyouts negatively impacted occupancy by 0.6%. 		

⁽¹⁾ Refer to Part VII under the headings “Explanation of Non-IFRS Measures used in this Document” and “Explanation of Additional IFRS Measures used in this Document” for further explanations.

PROPERTY AND CORPORATE FINANCIAL PERFORMANCE 2017 AND 2016
Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

Plaza's summary of FFO and AFFO for the three and twelve months ended December 31, 2017, compared to the three and twelve months ended December 31, 2016 is presented below:

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
(000s – except per unit amounts and percentage data)				
Profit and total comprehensive income for the period attributable to unitholders	\$ 9,431	\$ 9,535	\$ 23,232	\$ 32,631
Add (deduct):				
Incremental leasing costs included in administrative expenses	382	321	1,727	1,502
Distributions on Class B exchangeable LP units included in finance costs	87	86	354	343
Deferred income taxes	207	179	(64)	1,252
Fair value adjustment to restricted share units	(5)	(2)	(17)	2
Fair value adjustment to investment properties	(2,124)	1,570	10,392	(1,648)
Fair value adjustment to investments	600	(1,233)	1,876	(2,916)
Fair value adjustment to Class B exchangeable LP units	(152)	(316)	(970)	396
Fair value adjustment to convertible debentures	94	(1,274)	(339)	1,256
Fair value adjustment to interest rate swap and bond forward	-	(137)	-	154
Equity accounting adjustment	(23)	(66)	(138)	(104)
Non-controlling interest adjustment	11	(44)	(165)	(218)
Basic FFO	\$ 8,508	\$ 8,619	\$ 35,888	\$ 32,650
Add (deduct):				
Non-cash revenue – straight-line rent	56	3	239	(412)
Leasing costs – existing properties ⁽¹⁾	(424)	(454)	(1,783)	(1,827)
Maintenance capital expenditures – existing properties ⁽¹⁾	(287)	(546)	(1,098)	(1,219)
Non-controlling interest adjustment	9	36	42	67
Basic AFFO	\$ 7,862	\$ 7,658	\$ 33,288	\$ 29,259
Basic weighted average units outstanding ⁽²⁾	102,685	99,515	102,385	98,100
Basic FFO per unit	\$ 0.083	\$ 0.087	\$ 0.351	\$ 0.333
Basic AFFO per unit	\$ 0.077	\$ 0.077	\$ 0.325	\$ 0.298
Gross distributions to unitholders ⁽³⁾	\$ 6,937	\$ 6,472	\$ 27,674	\$ 25,621
Distributions as a percentage of basic FFO	81.5%	75.1%	77.1%	78.5%
Distributions as a percentage of basic AFFO	88.2%	84.5%	83.1%	87.6%
Basic FFO	\$ 8,508	\$ 8,619	\$ 35,888	\$ 32,650
Interest on dilutive convertible debentures	489	569	2,258	2,120
Diluted FFO	\$ 8,997	\$ 9,188	\$ 38,146	\$ 34,770
Diluted weighted average units outstanding ⁽²⁾	108,598	106,338	109,209	104,509
Basic AFFO	\$ 7,862	\$ 7,658	\$ 33,288	\$ 29,259
Interest on dilutive convertible debentures	-	-	-	-
Diluted AFFO	\$ 7,862	\$ 7,658	\$ 33,288	\$ 29,259
Diluted weighted average units outstanding ⁽²⁾	102,685	99,515	102,385	98,100
Diluted FFO per unit	\$ 0.083	\$ 0.086	\$ 0.349	\$ 0.333
Diluted AFFO per unit	\$ 0.077	\$ 0.077	\$ 0.325	\$ 0.298

⁽¹⁾ Based on actuals.

⁽²⁾ Includes Class B exchangeable LP units.

⁽³⁾ Includes distributions on Class B exchangeable LP units.

Basic FFO for the three months ended December 31, 2017 decreased by \$111 thousand, or 1.3% over the prior year. Basic FFO per unit for the three months ended December 31, 2017 decreased 4.6% over the prior year.

More specifically, impacting FFO was:

- (i) growth in NOI of \$330 thousand from developments/redevelopments/acquisitions;
- (ii) a decrease in same-asset NOI of \$196 thousand, impacted by the vacancies caused by two significant non-recurring lease buyouts concluded during 2017, accounting for \$180 thousand of the decrease;
- (iii) an increase in administrative expenses charged to NOI of \$214 thousand, mainly due to an increase in head count and salary increases;
- (iv) an increase in administrative expenses of \$233 thousand; and
- (v) a decrease in finance costs of \$221 thousand mainly due to lower debenture interest due to the redemption of Series C convertible debentures.

For the three months ended December 31, 2017, AFFO increased by \$204 thousand, or 2.7% over the prior year, and AFFO per unit was consistent with the prior year. The increase in AFFO was mainly due to the decrease in maintenance capital expenditures.

The per unit amounts for the quarter were impacted by a larger number of units outstanding due to the conversion of \$14.6 million in Series C convertible debentures into 2.8 million units in late 2016 and January 2017, upon the issuance of a redemption notice for the Series C convertible debentures in November 2016.

Basic FFO for the twelve months ended December 31, 2017 increased by \$3.2 million, or 9.9% over the prior year. Basic FFO per unit for the twelve months ended December 31, 2017 increased 5.4% over the prior year. The increase was mainly due to net development and redevelopment activity and lease buyout revenues received.

More specifically, impacting FFO was:

- (i) growth in NOI of \$2.0 million from developments/redevelopments/acquisitions;
- (ii) a decrease in NOI of \$485 thousand due to the sale of properties;
- (iii) a decrease in NOI of \$651 thousand from non-cash straight-line rent;
- (iv) an increase in administrative expenses charged to NOI of \$631 thousand, mainly due to an increase in head count and salary increases;
- (v) an increase in lease buyout revenues received of \$1.4 million, mainly from two significant lease buyouts concluded during 2017; and
- (vi) a decrease in finance costs of \$1.7 million mainly due to lower debenture interest due to the redemption of Series B and Series C convertible debentures.

For the twelve months ended December 31, 2017, AFFO increased by \$4.0 million, or 13.8% over the prior year, and AFFO per unit increased by 9.1% over the prior year. The increase in AFFO was mainly due to the same factors impacting FFO.

Even excluding the impact of lease buyouts, for the twelve months ended December 31, 2017 FFO and AFFO increased by 8.0% and 11.7%, respectively, and FFO and AFFO per unit increased by 3.5% and 7.0%, respectively.

The per unit amounts for the twelve months ended December 31, 2017 were impacted by the conversion of the Series C convertible debentures.

Profit and Total Comprehensive Income for the Period

The Trust recorded profit and total comprehensive income for the three months ended December 31, 2017 of \$9.5 million compared to \$9.6 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO above, as well as:

- (i) a decrease in share of profit of associates of \$1.8 million mainly relating to the non-cash fair value adjustment to the underlying investment properties;
- (ii) a net gain from the non-cash fair value adjustment to the Class B exchangeable LP units of \$152 thousand compared to a net gain of \$316 thousand in the prior year;
- (iii) a net loss from the non-cash fair value adjustment to the convertible debentures of \$94 thousand compared to a net gain of \$1.2 million in the prior year; and
- (iv) a net gain from non-cash fair value adjustments to investment properties of \$2.1 million compared to a net loss of \$1.6 million in the prior year.

Plaza Retail REIT

The Trust recorded profit and total comprehensive income for the twelve months ended December 31, 2017 of \$23.4 million compared to \$32.8 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO above, as well as:

- (i) a decrease in share of profit of associates of \$4.6 million mainly relating to the non-cash fair value adjustment to the underlying investment properties;
- (ii) a net gain from the non-cash fair value adjustment to convertible debentures of \$339 thousand compared to a net loss of \$1.3 million in the prior year;
- (iii) a net gain from the non-cash fair value adjustment to the Class B exchangeable LP units of \$970 thousand compared to a net loss of \$396 thousand in the prior year; and
- (iv) a net loss from non-cash fair value adjustments to investment properties of \$10.4 million compared to a net gain of \$1.6 million in the prior year.

Same-Asset Net Property Operating Income (Same-Asset NOI)

Same-asset categorization refers to those properties which were owned and operated by Plaza for the twelve months ended December 31, 2017 and the entire year ended December 31, 2016 and excludes partial year results from certain assets due to timing of acquisition, development, 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, 2017, approximately 52.4% 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 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.

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017 (unaudited)	12 Months Ended December 31, 2016 (unaudited)
(000s)				
Same-asset rental revenue	\$ 21,879	\$ 21,722	\$ 87,922	\$ 87,844
Same-asset operating expenses	(3,653)	(3,411)	(13,208)	(13,334)
Same-asset realty tax expense	(4,029)	(3,918)	(16,597)	(16,437)
Same-asset NOI	\$ 14,197	\$ 14,393	\$ 58,117	\$ 58,073

As noted in the chart above, the same-asset NOI for the three months ended December 31, 2017 decreased by \$196 thousand or 1.4% over the same period in the prior year, mainly due to vacancies from two significant lease buyouts concluded during the year, accounting for \$180 thousand of the decrease, as well as vacancies incurred in Q4 in the portfolio, mainly from the Village Shopping Centre, the Trust's enclosed mall in St. John's, NL, where a 40 thousand square foot second floor office tenant vacated. These were partly offset by rent steps in the portfolio.

Same-asset NOI for the twelve months ended December 31, 2017 increased by \$44 thousand or 0.1% over the same period in the prior year. Rent steps in the portfolio more than offset vacancies and the vacancies caused by the two significant lease buyouts. The vacancies from the two lease buyouts decreased same-asset NOI by \$445 thousand for the twelve months ended December 31, 2017.

Plaza Retail REIT

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

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017 (unaudited)	12 Months Ended December 31, 2016 (unaudited)
(000s except percentage data)				
New Brunswick	\$ 3,187	\$ 3,327	\$ 13,377	\$ 13,685
Nova Scotia	2,633	2,805	11,353	11,802
Quebec	3,330	3,260	13,110	12,777
Alberta	218	222	887	889
Manitoba	191	191	752	762
Ontario	2,108	2,145	8,486	8,468
Newfoundland and Labrador	1,143	1,249	4,989	4,840
Prince Edward Island	1,387	1,194	5,163	4,850
Same-asset NOI	\$ 14,197	\$ 14,393	\$ 58,117	\$ 58,073
Percentage increase (decrease) over prior period	(1.4%)		0.1%	

Net Property Operating Income (NOI)

The following table shows the breakdown of total NOI and relevant variances from the prior year.

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
(000s)				
Same-asset NOI	\$ 14,197	\$ 14,393	\$ 58,117	\$ 58,073
Developments and redevelopments transferred to income producing in 2016	787	669	3,107	1,978
Developments and redevelopments transferred to income producing in 2017 (\$2.2 million annualized NOI)	559	307	1,774	1,177
NOI from properties currently under redevelopment (\$5.0 million annualized NOI)	586	626	2,674	2,443
Straight-line rent	(56)	(4)	(239)	412
Administrative expenses charged to NOI	(837)	(623)	(2,984)	(2,353)
Lease buyout revenue	119	105	1,676	316
Property disposals	117	205	144	629
Other	17	(22)	89	(3)
Total NOI	\$15,489	\$ 15,656	\$ 64,358	\$ 62,672

Plaza concluded two significant lease buyout transactions during the year in order to bring on other, more stable tenants. The lease buyout revenues received more than offset the loss in NOI from the transactions. New tenants will not be in place until 2018.

Share of Profit of Associates

Share of profit of associates consists of income from equity and fair value-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 – Shediac Limited Partnership ⁽³⁾	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 Ltd.	50%	n/a	n/a
VGH Limited Partnership ⁽²⁾	20%	8%	27%
Ste. Hyacinthe Limited Partnership	25%	n/a	n/a
144 Denison East Limited Partnership ⁽²⁾	25%	n/a	n/a
The Shoppes at Galway Limited Partnership ⁽²⁾	50%	n/a	n/a
Fair Value Accounted Investments⁽¹⁾			
Northwest Plaza Commercial Trust ⁽³⁾	10%	n/a	n/a

(1) Equity and fair value accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Place Du Marche, BPK Levis and 100 Saint-Jude Nord (Centennial Plaza Limited Partnership); Plaza des Recollets (Trois Rivières Limited Partnership); Shediac West (Plazacorp – Shediac 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 Ltd.); St. Jerome (VGH Limited Partnership); 5400 Laurier Ouest (Ste. Hyacinthe Limited Partnership); 144 Denison (144 Denison East Limited Partnership); the Shoppes at Galway (The Shoppes at Galway Limited Partnership) and Northwest Centre (Northwest Plaza Commercial Trust).

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

(3) See Part I of this MD&A under the heading "Development Pipeline and Acquisitions/Dispositions" for subsequent event on these assets.

Share of profit of associates for the three months ended December 31, 2017 includes Plaza's share of NOI of approximately \$844 thousand. Share of profit of associates decreased by \$1.8 million for the three months ended December 31, 2017 compared to the three months ended December 31, 2016. The decrease was mainly due to non-cash fair value adjustments.

Share of profit of associates for the twelve months ended December 31, 2017 includes Plaza's share of NOI of approximately \$3.8 million. Share of profit of associates decreased by \$4.6 million mainly due to non-cash fair value adjustments.

Overall committed occupancy for non-consolidated investments was 97.9% at December 31, 2017, compared to 97.6% at December 31, 2016.

Distributions received from associates for the three months ended December 31, 2017 were \$313 thousand compared to \$188 thousand for the three months ended December 31, 2016. Distributions received from associates for the twelve months ended December 31, 2017 were \$1.4 million compared to \$1.2 million for the twelve months ended December 31, 2016.

Finance Costs

Finance costs for the three months ended December 31, 2017 were \$6.4 million, compared to \$6.6 million for the same period in the prior year. Finance costs were impacted by:

- (i) lower debenture interest of \$296 thousand due to the redemption of Series C convertible debentures; and
- (ii) lower mortgage interest due to refinancings at lower interest rates and due to the sale of properties.

These were partly offset by:

- (i) higher debenture interest expense of \$75 thousand due to the Series II unsecured debentures issued in February 2017; and
- (ii) higher interest on the operating line of \$266 thousand due to a higher balance outstanding.

Finance costs for the twelve months ended December 31, 2017 were \$25.6 million, compared to \$27.4 million for the same period in the prior year. Finance costs were impacted by:

- (i) lower debenture interest of \$1.4 million due to the redemption of Series B and Series C convertible debentures;
- (ii) prior year early mortgage discharge fees incurred of \$462 thousand compared to \$56 thousand in the current year; and
- (iii) lower mortgage interest due to refinancings at lower interest rates and due to the sale of properties.

These were partly offset by:

- (i) higher debenture interest expense of \$389 thousand due to the Series VII debentures issued in June 2016 and the Series II unsecured debentures issued in February 2017; and
- (ii) higher interest on the operating line of \$542 thousand due to a higher balance outstanding.

Administrative Expenses

Administrative expenses for the three and twelve months ended December 31, 2017 increased by \$233 thousand and \$332 thousand, respectively, over the prior year. Both were impacted by higher salaries due to staffing increases, IT costs and various consulting fees.

Plaza maintains a fully internalized and integrated structure and therefore incurs certain costs related to development and redevelopment activity that is not capitalizable for accounting purposes or for AFFO purposes, but that in Plaza's view is not indicative of regular income producing activities. Plaza carries between \$700 and \$900 thousand per year in these costs included in administrative expenses. Other real estate entities that are not development-oriented or not fully internalized for their development activities would not incur this level of expenses, or they might otherwise be able to capitalize these costs for accounting purposes.

Change in Fair Value of Investment Properties

Investment properties are recorded at fair value based on a combination of external appraisals and internal valuations, whereby appropriate capitalization rates (supplied by independent appraisers) are applied to budgeted normalized net operating income (property revenue less property operating expenses).

The Trust recorded a fair value increase to investment properties of \$2.1 million for the three months ended December 31, 2017 compared to a fair value decrease of \$1.6 million for the three months ended December 31, 2016. The Trust recorded a fair value decrease to investment properties of \$10.4 million for the twelve months ended December 31, 2017 compared to a fair value increase of \$1.6 million for the twelve months ended December 31, 2016. The weighted average capitalization rate at December 31, 2017 was 7.02% which is one basis point lower than December 31, 2016. The fair value changes compared to the prior year were largely due to changes in NOI as well as cost overruns on current development projects (development projects are measured at fair value less costs to complete).

Plaza Retail REIT

Change in Fair Value of Convertible Debentures

The majority of the convertible debentures are publicly traded with their fair values based on their traded prices.

The fair value adjustment to convertible debentures for the three and twelve months ended December 31, 2017 was a net loss of \$94 thousand and a net gain of \$339 thousand, respectively, compared to a net gain of \$1.3 million and a net loss of \$1.3 million, respectively, for the three and twelve months ended December 31, 2016.

Change in Fair Value of Class B Exchangeable LP Units

The Class B exchangeable LP units were issued effective January 1, 2015 in connection with the purchase by Plaza of the interests of certain equity partners in eight properties located in New Brunswick and Prince Edward Island. Distributions paid on these exchangeable units are based on the distributions paid to Plaza unitholders. The exchangeable LP units are exchangeable on a one-for-one basis into Plaza units at the option of the holders. The fair value of these exchangeable LP units is based on the trading price of Plaza's units.

The fair value adjustment to Class B exchangeable LP units for the three and twelve months ended December 31, 2017 was a net gain of \$152 thousand and \$970 thousand, respectively, compared to a net gain of \$316 thousand and a net loss of \$396 thousand, respectively, in the prior year.

In November 2017, 53,000 Class B exchangeable LP units were exchanged for 53,000 Plaza units.

LEASING AND OCCUPANCY

The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2017 (excluding developments, redevelopments and non-consolidated investments).

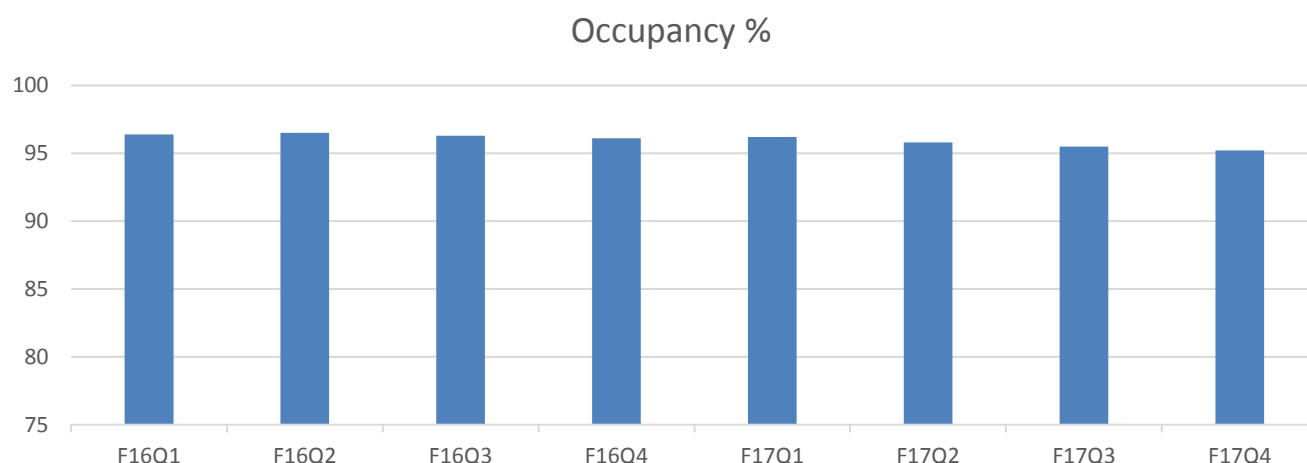
Year	Strip Plazas		Enclosed Malls		Single-User Retail		Single-User QSR ⁽²⁾		Total	
	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%	Sq Ft ⁽¹⁾	%
2018	223,247	6.4	65,447	10.7	27,484	3.1	164,122	57.2	480,300	9.1
2019	251,101	7.2	65,567	10.7	19,504	2.2	8,764	3.1	344,936	6.6
2020	530,379	15.2	147,608	24.2	109,776	12.6	7,436	2.6	795,199	15.1
2021	489,529	14.0	37,522	6.1	38,537	4.4	5,000	1.7	570,588	10.8
2022	414,741	11.9	32,703	5.4	103,739	11.9	16,029	5.6	567,212	10.8
Thereafter	1,580,609	45.3	262,286	42.9	575,142	65.8	85,593	29.8	2,503,630	47.6
Subtotal	3,489,606	100.0	611,133	100.0	874,182	100.0	286,944	100.0	5,261,865	100.0
Vacant	184,774		101,222		-		-		285,996	
Total	3,674,380		712,355		874,182		286,944		5,547,861	
Weighted average										
lease term	6.1 years		3.4 years		7.4 years		3.9 years		5.8 years	

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

⁽²⁾ QSR refers to quick service restaurants.

At December 31, 2017, overall committed occupancy for the portfolio (excluding properties under development, redevelopment and non-consolidated investments) was 95.2% compared to 96.1% at December 31, 2016. Same-asset committed occupancy was 95.1% at December 31, 2017, compared to 96.3% at December 31, 2016. The two significant lease buyouts completed in 2017 negatively impacted occupancy by 0.6%.

Committed occupancy for the portfolio over the last eight quarters is as follows:



The weighted average contractual base rent per square foot on renewals/new leasing in 2017 versus expiries (excluding developments, redevelopments and non-consolidated investments) is outlined in the following table:

	Strip Plazas	Enclosed Malls	Single-User Retail	Single-User QSR
2017				
Leasing renewals (sq. ft.)	257,522	110,718	14,296	52,527
Weighted average rent (\$/sq. ft.)	\$16.12	\$14.96	\$28.00	\$31.62
Change in weighted average rent	6.1%	5.4%	4.7%	6.0%
Expiries that renewed (sq. ft.)	257,522	110,718	14,296	52,527
Weighted average rent (\$/sq. ft.)	\$15.19	\$14.19	\$26.75	\$29.82
New leasing (sq. ft.)	98,165	11,616	6,636	1,790
Weighted average rent (\$/sq. ft.)	\$16.89	\$17.59	\$29.68	\$25.00
Expiries not renewed (sq. ft.)	121,899	60,285	8,426	4,038
Weighted average rent (\$/sq. ft.)	\$14.64	\$12.92	\$28.05	\$25.06
2018				
Expiries (sq. ft.)	223,247	65,447	27,484	164,122
Weighted average rent (\$/sq. ft.)	\$13.43	\$15.89	\$12.72	\$26.03

In addition, for the twelve months ended December 31, 2017, the Trust completed 329 thousand square feet of new and renewal leasing deals on developments and redevelopments at market rates and 231 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

Subsequent to year end, the Trust finalized lease renewals on 150,000 square feet or 62 sites with its two primary KFC operators. Most of these leases were set to expire in 2018. Stand-alone KFC restaurants make up approximately 218,000 square feet. The two KFC operators have 81 sites and represent 90% of Plaza's total KFC square footage. The renewals have an average rental increase in the first year of approximately 5% and an average lease term of approximately 7 years. For the remaining 19 sites, Plaza is planning (i) the immediate redevelopment of seven of the sites representing approximately 17,000 square feet, one for another national restaurant chain and the rest as new KFC stores for the two KFC operators; (ii) the immediate sale of three sites representing approximately 6,000 square feet, all of which are currently firm and awaiting closing; and (iii) the future redevelopment of nine sites representing approximately 22,000 square feet.

Plaza Retail REIT

Plaza's financial exposure to vacancies and lease roll-overs differs among the different retail asset types, as gross rental rates differ by asset class. Committed occupancy by asset class (excluding non-consolidated investments) was as follows:

- Committed occupancy in the strip plazas was 95.6% at December 31, 2017, compared to 96.0% at December 31, 2016.
- Committed occupancy for enclosed malls was 85.8% at December 31, 2017, compared to 92.2% at December 31, 2016.
- Committed occupancy for single use assets was 100.0% at December 31, 2017, compared to 99.4% at December 31, 2016.
- Pre-leased space in active properties under development was 79.9% at December 31, 2017.

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, 2017 represent approximately 56.9% of total base rent revenues in place.

	% of Base Rent Revenue ⁽⁵⁾		% of Base Rent Revenue ⁽⁵⁾
1. Shoppers Drug Mart	25.7	6. Staples	3.0
2. KFC ⁽¹⁾	8.5	7. TJX Group ⁽⁴⁾	2.8
3. Dollarama	4.7	8. Rexall Pharma Plus	2.2
4. Sobeys Group ⁽²⁾	3.7	9. Bulk Barn	1.7
5. Canadian Tire Group ⁽³⁾	3.2	10. Tim Hortons	1.4

⁽¹⁾ The majority is represented by 3 tenants.

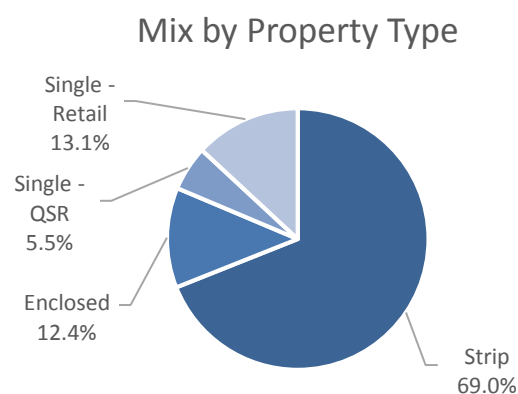
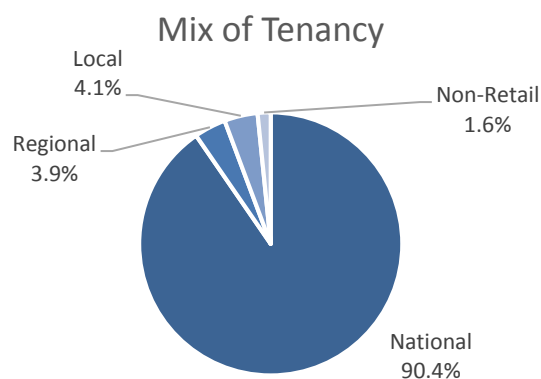
⁽²⁾ Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.

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

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

⁽⁵⁾ Excluding developments, redevelopments and non-consolidated investments

The Trust's mix of tenancies, based on square footage, is primarily made up of national tenants. The graphs below exclude developments, redevelopments and non-consolidated investments.



PART III

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, 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 generally funded by a combination of debt and equity.

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.

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Plaza maintains a prudent cash distribution policy, in order to retain sufficient funds to manage the business, including ongoing maintenance capital expenditures and debt service. 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 setting the annual distributions to unitholders, Plaza reviews budgets and forecasts and considers future growth prospects for the business, including developments/redevelopments and leasing within the portfolio and considers maintenance capital expenditures and leasing costs, among other things. Plaza does not consider temporary fluctuations in cash flow due to working capital items such as the timing of property tax installments and semi-annual debenture interest payments, in determining the level of distributions to be paid in any given time period. Profit under IFRS is not used by Plaza when setting the annual distribution, as profit reflects, among other things, non-cash fair value adjustments relating to the Trust's income producing property and debt – items that are not reflective of Plaza's ability to pay distributions and outside of Plaza's control.

For 2017, Plaza's annual distributions were \$0.27 per unit. For 2018, Plaza's distributions have been set at \$0.28 per unit.

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
(000s)				
Total distributions ⁽¹⁾	\$ 6,937	\$ 6,472	\$ 27,674	\$ 25,621
Less: Distribution Reinvestment Plan proceeds ⁽²⁾	(1,148)	(378)	(2,607)	(1,358)
Cash distributions paid	\$ 5,789	\$ 6,094	\$ 25,067	\$ 24,263

⁽¹⁾ Total distributions include cash distributions paid and payable to unitholders, unit distributions under the Distribution Reinvestment Plan (DRIP) and distributions on Class B exchangeable LP units classified as finance costs.

⁽²⁾ Plaza's DRIP allows Canadian unitholders to acquire additional units through the reinvestment of distributions, otherwise receivable in cash, and to receive a bonus distribution in units equivalent to 3% of each distribution.

Total distributions compared to cash provided by operating activities is summarized in the following table.

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
(000s)				
Cash provided by operating activities ⁽¹⁾	\$ 10,186	\$ 8,796	\$ 35,782	\$ 32,916
Total distributions ⁽²⁾	(6,937)	(6,472)	(27,674)	(25,621)
Excess of cash provided by operating activities over total distributions	\$ 3,249	\$ 2,324	\$ 8,108	\$ 7,295

⁽¹⁾ Cash provided by operating activities is presented net of interest paid, but excludes distributions paid on Class B exchangeable LP units classified as finance costs.

⁽²⁾ Total distributions include cash distributions paid and payable to unitholders, unit distributions under the DRIP and distributions on Class B exchangeable LP units classified as finance costs.

Plaza believes its distributions are sustainable based on expected and historical results and cash flows.

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES
Operating and Development Facilities

(000s)	\$44.0 Million Operating	\$20.0 Million Development	\$15.0 Million Development
December 31, 2016 ⁽¹⁾	\$ 12,562	\$ 2,825	\$ 4,075
Net Change	16,976	(115)	517
December 31, 2017 ⁽¹⁾	\$ 29,538	\$ 2,710	\$ 4,592
Interest rate	Prime + 0.75% or BA + 2.00%	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.00%
Maturity	July 31, 2018	July 31, 2018	July 31, 2018
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 & maximum leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$0.5 million
Issued and outstanding	\$750 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, 2017, all debt covenants in respect of the above facilities have been maintained.

Costs of development activities are generally funded by a combination of debt and equity. Timing of development activities or whether a development project is launched at all (including those listed in Part I of this MD&A under the heading “Development Pipeline and Acquisitions/Dispositions – Development Pipeline”) is dependent on tenant demand and availability of capital, among other factors. Plaza’s operating facility is generally used to fund the equity portion of development projects (which usually consists of the actual acquisition of the development projects or land). Plaza’s existing development facilities or new construction loans entered into (generally in the case where Plaza has partners in a development) are used to fund construction costs until permanent long-term financing is placed on the finished development. Given the rotation of development projects onto, and off of, the development facilities and the availability of specific construction financing when required, Plaza’s facilities and its debt capacity are sufficient to fund ongoing planned and committed development expenditures.

Mortgage Bonds

Mortgage bonds are secured by either property or cash. The mortgage bonds terms are as follows:

(000s)	Series X	Series XI	Series XII
Interest rate	5.00%	5.00%	5.50%
Maturity date	June 25, 2020	July 8, 2019	July 15, 2022
Amount	\$6,000	\$6,000	\$3,000

In February 2016, the \$900 thousand 5.25% Series VI mortgage bonds matured and were repaid. In June 2016, the \$1.185 million Series V 8.0% mortgage bonds matured and were repaid. In August 2016, the \$3.86 million Series VII 6.0% mortgage bonds matured and were repaid. On July 8, 2016 and August 15, 2016, the Trust issued a total of \$6.0 million Series XI 5.0% floating mortgage bonds. In July 2017, the \$3.0 million 5.50% Series IX mortgage bonds matured and were repaid. On July 15, 2017, the

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Trust issued the \$3.0 million Series XII mortgage bonds. The Series XII mortgage bonds bear interest at 5.5% and mature July 15, 2022.

The Series X, XI and XII mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required. The Trust can redeem up to one-half of the Series X, XI and XII mortgage bonds at par on the third and fourth anniversaries for the Series X mortgage bonds and the first and second anniversaries for the Series XI and XII mortgage bonds, being: June 25, 2018 and June 25, 2019 for the Series X mortgage bonds; July 8, 2018 for the Series XI mortgage bonds; and July 15, 2018 and July 15, 2019 for the Series XII mortgage bonds.

Debentures

Convertible and non-convertible debentures are subordinate and unsecured. Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss. The debenture terms are as follows:

(000s)	Convertible Series D	Convertible Series VII	Non-convertible Series I	Non-convertible Series II
Interest rate	5.75%	5.50%	5.00%	5.00%
Conversion price	\$5.75	\$6.04	n/a	n/a
Par call date	December 31, 2017	June 30, 2020	n/a	n/a
Maturity date	December 31, 2018	June 30, 2021	2018 ⁽¹⁾	February 28, 2022
Face amount	\$34,000	\$5,500	\$4,000	\$6,000

(1) Tranche A - \$1.6 million - February 26, 2018; Tranche B - \$2.3 million - April 15, 2018; and Tranche C - \$100 thousand - May 2, 2018

On April 29, 2016, the Trust redeemed the \$9.2 million outstanding 8% Series B convertible debentures. The proceeds from the public offering of 5.0 million units completed on March 31, 2016 were partly used to redeem the Series B convertible debentures.

On June 15, 2016, \$5.5 million in Series VII convertible debentures were issued as part of the financing to acquire a 50.0% interest in three properties. These convertible debentures are at an interest rate of 5.5% and mature on June 30, 2021.

On November 30, 2016, the Trust issued a redemption notice for the 7.0% Series C convertible debentures to be redeemed on January 9, 2017. A total of \$1.75 million were converted in 2016 into 333 thousand units and \$198 thousand in cash, leaving a balance of \$15.2 million in face value of debentures. Between January 3rd and 6th, 2017, \$12.9 million were converted into 2.45 million units and \$1.5 million in cash. On January 9, 2017, the remaining \$2.3 million were redeemed and paid out.

On February 28, 2017, the Trust issued \$6.0 million in Series II unsecured debentures with an interest rate of 5.0% per annum maturing on February 28, 2022.

Subsequent to year end, on February 21, 2018, the Trust completed a public offering of \$45 million aggregate principal amount of 5.10% convertible unsecured subordinated debentures due March 31, 2023. The debentures are convertible at the option of the holder, into units of the Trust at \$5.65 per unit. In addition, the underwriters were granted an over-allotment option, exercisable in whole or in part up to 30 days after closing, to purchase up to an additional \$2.25 million debentures. The option was exercised on closing of the offering on February 21, 2018. Proceeds from the offering will be used to redeem the \$34 million 5.75% Series D convertible debentures, which had a par call date of December 31, 2017, with the remainder of the proceeds to repay amounts outstanding on the Trust's operating line of credit, to fund future and on-going development and redevelopment activities and for general trust purposes. The Trust gave notice to the Series D debenture holders on February 21, 2018 and redemption of those debentures is set to close on March 27, 2018.

Mortgages

During 2017 the Trust obtained new long-term financing in the amount of \$30.4 million (at Plaza's consolidated share) with a weighted average term of 8.6 years and a weighted average interest rate of 3.92%.

The Trust has a \$3.0 million variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.25% or BAs plus 2.50% and has been renewed until May 26, 2018. At December 31, 2017, \$2.8 million has been drawn on the loan.

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The Trust also has a \$907 thousand variable rate secured construction loan/credit facility on another one of its redevelopment projects. The loan bears interest at prime plus 1.00% or BAs plus 2.50% and was extended until September 15, 2018. At December 31, 2017, \$712 thousand has been drawn on the loan.

In November 2017, the Trust obtained a \$6.6 million variable rate secured construction loan/credit facility in connection with the acquisition of a redevelopment project. The loan bears interest at prime plus 2.25% or BAs plus 3.75%, reducing to prime plus 1.25% or BAs plus 2.75% on the second draw (once construction commences), and matures on November 30, 2019. At December 31, 2017, \$1.95 million has been drawn on the loan.

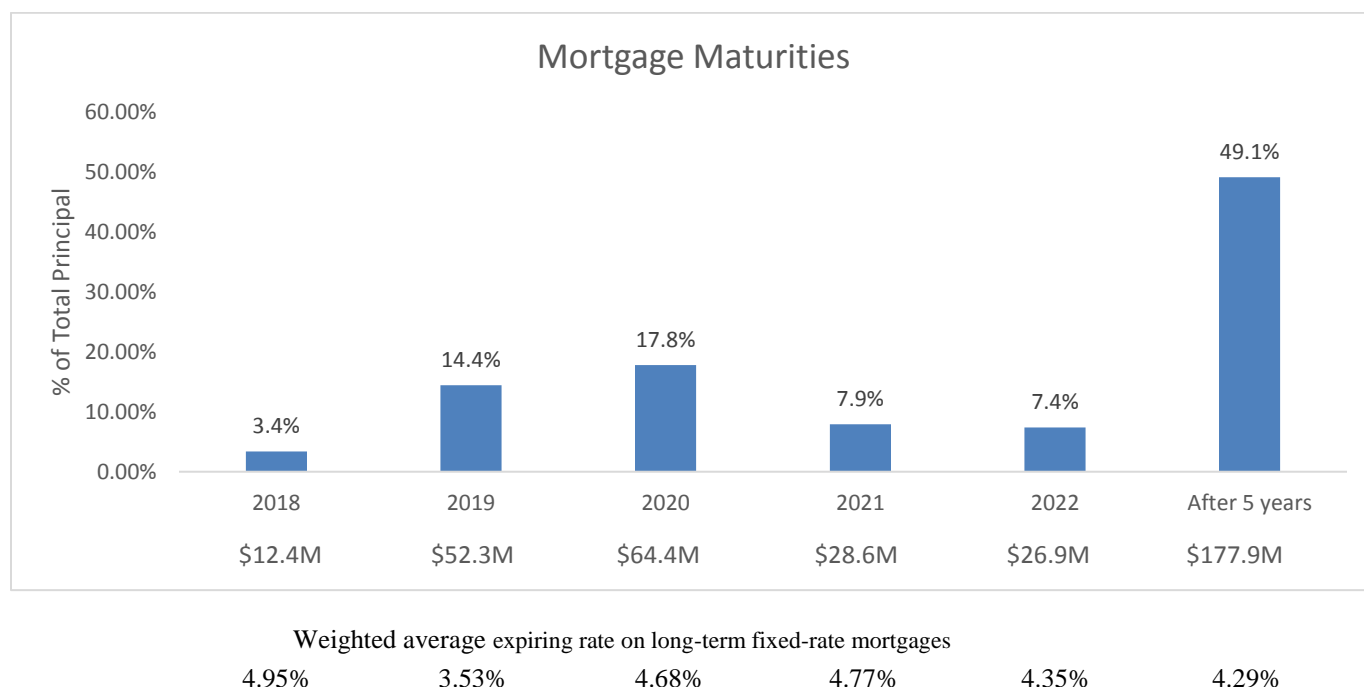
In January 2018, the Trust closed on a short-term bridge financing related to a property acquisition in the amount of \$3.0 million at 6.0% for 6 months.

Subsequent to year end, the Trust closed on a loan in the amount of \$5.6 million for 5 years at an interest-only rate of 5.0%.

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 (until long term fixed-rate mortgage financing is placed on the completed development projects).

The following is a maturity chart of mortgages by year:



The weighted average term to maturity for the long-term mortgages is 6.0 years. The average remaining repayment (amortization) period on long-term mortgage debt is 23.0 years.

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Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three and twelve months ended December 31, 2017, compared to the three and twelve months ended December 31, 2016 is presented below:

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017	12 Months Ended December 31, 2016
(000s – except debt service ratios)				
Profit and total comprehensive income for the period	\$ 9,530	\$ 9,574	\$ 23,447	\$ 32,758
Add (deduct):				
Income taxes	295	227	119	1,384
Finance costs	6,405	6,626	25,646	27,379
Fair value adjustment to investment properties	(2,124)	1,570	10,392	(1,648)
Fair value adjustment to investments	600	(1,233)	1,876	(2,916)
Fair value adjustment to convertible debentures	94	(1,274)	(339)	1,256
Fair value adjustment to Class B exchangeable LP units	(152)	(316)	(970)	396
Fair value adjustment to restricted share units	(5)	(2)	(17)	2
Fair value adjustment to interest rate swap and bond forward	-	(137)	-	154
Equity accounting adjustment for interest rate swaps and bond forwards	(23)	(66)	(138)	(104)
EBITDA	\$ 14,620	\$ 14,969	\$ 60,016	\$ 58,661
Finance costs ⁽¹⁾	\$ 6,348	\$ 6,594	\$ 25,387	\$ 26,934
Periodic mortgage principal repayments	2,606	2,555	10,416	10,185
Total debt service	\$ 8,954	\$ 9,149	\$ 35,803	\$ 37,119
Debt service ratios				
Interest coverage ratio	2.30 times	2.27 times	2.36 times	2.18 times
Debt coverage ratio	1.63 times	1.64 times	1.68 times	1.58 times

⁽¹⁾ Excludes mark-to-market adjustments, loan defeasance and early mortgage discharge fees and distributions on Class B exchangeable LP units recorded in finance costs.

For the three months ended December 31, 2017, the interest and debt coverage ratios were relatively consistent with the prior year. For the twelve months ended December 31, 2017, the interest and debt coverage ratios were improved over the prior year, mainly reflecting: (i) lower finance costs mainly due to lower debenture interest due to the redemption of both the Series B and Series C convertible debentures; and (ii) higher EBITDA due to higher NOI, mainly as a result of growth from developments/redevelopments as well as the lease buyout revenues received. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

Debt to Gross Assets

Plaza's debt to gross assets is presented below:

	December 31, 2017	December 31, 2016
Debt to gross assets:		
Including convertible debentures ⁽¹⁾	52.2%	53.0%
Excluding convertible debentures	48.4%	47.7%

⁽¹⁾ Convertible debentures valued at cost.

The increase over the prior year excluding convertible debentures was mainly due to the issuance of \$6.0 million Series II unsecured non-convertible debentures and an increase in the operating line balance. Including convertible debentures, the current year ratio was also impacted by the redemption of the Series B and C convertible debentures. The Trust's general philosophy is

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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

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 22, 2018 (000s) (unaudited)	Units
Current outstanding units	101,849
Class B exchangeable LP units	1,266
Series D convertible debentures	5,913
Series VII convertible debentures	911
Series E convertible debentures	8,363
Total adjusted units outstanding	118,302

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 \$3.2 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9.1% of the Trust's fair value of investment properties and investments. During the year the Trust exercised an option to extend one lease that was expiring in August 2017 for an additional 5 year term. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 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.

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Gross Capital Additions Including Leasing Fees:

	3 Months Ended December 31, 2017 (unaudited)	3 Months Ended December 31, 2016 (unaudited)	12 Months Ended December 31, 2017 (unaudited)	12 Months Ended December 31, 2016 (unaudited)
(000s)				
Existing properties				
Leasing commissions	\$ 39	\$ 152	\$ 157	\$ 354
Other leasing costs	157	169	605	630
	196	321	762	984
Maintenance capital expenditures	287	546	1,098	1,219
Total capital additions – existing properties	483	867	1,860	2,203
Development/redevelopment properties				
Leasing commissions	82	48	161	440
Other leasing costs	1,465	364	2,172	1,518
Capital additions	2,409	4,561	16,556	13,543
Total capital additions - developments/redevelopments	3,956	4,973	18,889	15,501
Total gross additions per statements of cash flows	\$ 4,439	\$ 5,840	\$ 20,749	\$ 17,704
Reconciliation of leasing costs for AFFO purposes				
Leasing costs – existing properties per above	\$ 196	\$ 321	\$ 762	\$ 984
Internal leasing salaries	228	133	1,021	843
Total leasing costs – existing properties for AFFO purposes	\$ 424	\$ 454	\$ 1,783	\$ 1,827

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Trust has \$8.8 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's estimated commitments at December 31, 2017 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	After 5 Years	Face Value Total
Mortgages – periodic payments	\$10,483	\$9,853	\$9,158	\$7,661	\$7,374	\$26,848	\$71,377
Mortgages – due at maturity	12,435	52,348	64,419	28,646	26,847	177,923	362,618
Development lines of credit	7,302	-	-	-	-	-	7,302
Construction loans	3,480	1,950	-	-	-	-	5,430
Bank indebtedness	29,538	-	-	-	-	-	29,538
Mortgage bonds payable	-	6,000	6,000	-	3,000	-	15,000
Debentures ⁽¹⁾	38,000	-	-	5,500	6,000	-	49,500
Operating land leases	3,236	3,272	3,316	3,337	3,327	127,929	144,417
Development activities	8,762	-	-	-	-	-	8,762
Total contractual obligations	\$113,236	\$73,423	\$82,893	\$45,144	\$46,548	\$332,700	\$693,944

⁽¹⁾ Stated at face value.

Contingent Liabilities

The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of the underlying 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, 2017 totals \$5.3 million with a weighted average remaining term of 5.1 years. As well, the Trust has contingent liabilities as original borrower on eight mortgages partially assumed by the purchasers of the underlying properties, where a 50% interest in each was sold in November 2017. 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 guaranties at December 31, 2017 totals \$10.0 million with a weighted average remaining term of 6.0 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$18.7 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of \$540 thousand. This amount is subject to cross-guarantees by the other co-owners.

PART IV
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)	Q4'17	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16	Q1'16
Total revenue ⁽¹⁾	\$26,461	\$26,817	\$27,839	\$24,846	\$27,845	\$28,453	\$25,858	\$25,873
Property rental revenue	\$25,679	\$25,113	\$26,755	\$25,340	\$25,241	\$25,585	\$24,923	\$24,466
Net property operating income	\$15,489	\$16,308	\$17,248	\$15,313	\$15,656	\$16,433	\$15,279	\$15,304
Profit and total comprehensive income	\$9,530	\$7,611	\$6,027	\$279	\$9,574	\$7,389	\$11,335	\$4,460
Distributions per unit	6.75¢	6.75¢	6.75¢	6.75¢	6.50¢	6.50¢	6.50¢	6.50¢
Funds from operations per unit – basic	8.3¢	9.0¢	9.6¢	8.2¢	8.7¢	9.2¢	7.5¢	8.0¢
Funds from operations per unit – diluted	8.3¢	9.0¢	9.5¢	8.2¢	8.6¢	9.1¢	7.5¢	8.0¢
Adjusted funds from operations per unit – basic	7.7¢	8.4¢	8.8¢	7.7¢	7.7¢	7.9¢	6.7¢	7.5¢
Adjusted funds from operations per unit – diluted	7.7¢	8.4¢	8.8¢	7.7¢	7.7¢	7.9¢	6.7¢	7.5¢
Distributions as a percentage of basic FFO	81.5%	74.8%	70.5%	82.9%	75.1%	70.8%	87.0%	83.2%
Distributions as a percentage of basic AFFO	88.2%	80.9%	76.7%	88.0%	84.5%	82.1%	96.4%	88.6%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	5,547	5,542	5,525	5,516	5,480	5,475	5,412	5,434
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	95.2%	95.5%	95.8%	96.2%	96.1%	96.3%	96.5%	96.4%

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

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 debt instruments. Fair value adjustments are based on market parameters for which the Trust has no control or ability to predict.

Some of Plaza's leases have common cost recoveries from tenants linked to the consumer price index (CPI) or otherwise have caps on operating costs. At December 31, 2017, approximately 52.4% 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 all of these

factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs as well as 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 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, 2017, the Trust held interests in 298 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 27 to the December 31, 2017 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 24, 2017 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 possible, 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 on its operating line of credit and 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 hypothetical impact of a 1% change in interest rates would be approximately \$423 thousand. 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 2018 or properties needing long term financing in 2018 will be able to be financed or refinanced as they come due.

From time to time Plaza may enter into derivative instruments to hedge the cash flow variability on future interest payments on anticipated mortgage financings from changes in interest rates until the time the mortgage interest rate is set.

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 25.7% of current monthly base rents in place, while franchisees of KFC represent 8.5%. The top 10 tenants collectively represent approximately 56.9% of current monthly base rents in place. National and regional tenants represent 94.3% of the tenant base, based on square footage.

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.

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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 \$600 thousand to \$1.0 million 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)	December 31, 2017	December 31, 2016
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	\$ 261	\$ 261

Plaza Retail REIT

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, 2017	December 31, 2016
Edouard Babineau	\$ 150	\$ 150
Earl Brewer	425	125
Stephen Johnson	300	100
Michael Zakuta	100	100
Total	\$ 975	\$ 475

Other key management personnel own \$20 thousand in mortgage bonds of the Trust at December 31, 2017.

Other Related Party Transactions

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.

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. There is a \$7 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2017, property management and leasing fees of \$96 thousand were earned by a subsidiary of the Trust from this property.

At December 31, 2017 Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, held interests in common with the Trust's then 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. For the twelve months ended December 31, 2017, property management, development and leasing fees of \$126 thousand were earned by a subsidiary of the Trust from this property.

The Montreal office of Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) shares office space with a company indirectly owned by Michael Zakuta in an office building owned by that related party. No basic minimum rent is payable for the space.

Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At December 31, 2017 there is \$6.5 million owed by the properties to the Trust which is recorded in notes and advances receivable. As well, there is a \$64 thousand accounts receivable balance owing to the Trust for property management and development fees. For the twelve months ended December 31, 2017, property management, leasing and development fees of \$393 thousand were earned by a subsidiary of the Trust from these properties.

At December 31, 2017 Edouard Babineau, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, held interests in common with the Trust's then 10% interest in Shediak West Plaza, Shediak, NB. A subsidiary of the Trust manages the property. At December 31, 2017 there is a \$2 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2017, property management fees of \$34 thousand were earned by a subsidiary of the Trust from these properties. See Part I of this MD&A under the heading "Development Pipeline and Acquisitions/Dispositions" for subsequent event on these assets and the related parties.

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2017, property management fees of \$5 thousand were earned by a subsidiary of the Trust from these properties.

Edouard Babineau, Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At December 31, 2017 there is a \$5 thousand accounts receivable balance owing to the Trust

for property management fees. For the twelve months ended December 31, 2017, property management fees of \$65 thousand were earned by a subsidiary of the Trust from these properties.

Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2017, property management fees of \$29 thousand were earned by a subsidiary of the Trust from these properties.

Effective December 1, 2017, Edouard Babineau, Earl Brewer, and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At December 31, 2017 there is a \$34 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2017, property management fees of \$13 thousand were earned by a subsidiary of the Trust from these properties.

PART VII

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 Trust's Chief Executive Officer and 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, 2017. 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 twelve months ended December 31, 2017, 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 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 the 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.

Specifically, the fair value of investment properties is based on a combination of external appraisals and internal valuations as noted below. 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 and loss in the period in which they arise.

(a) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties are based on these external appraisals.

(b) Internal approach – direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to budgeted normalized net operating income (property revenue less property operating expenses). Normalized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). 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.

At December 31, 2017 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 \$35.1 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$32.6 million.

FUTURE ACCOUNTING POLICY CHANGES

The following standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ending December 31, 2017, and have not been applied in preparing the Consolidated Financial Statements. Please also refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2017 for additional details about future accounting policy changes.

(i) Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15, *Revenue from Contracts with Customers* is effective for annual periods beginning on or after January 1, 2018, and will replace: IAS 11, *Construction Contracts*; IAS 18, *Revenue*; International Financial Reporting Interpretations Committee (“IFRIC”) 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 contains a single, control-based model that applies to contracts with customers and two approaches to recognizing 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. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

The implementation of IFRS 15 will be applied on January 1, 2018 and is not expected to have a significant impact on the Trust. However, additional disclosure requirements may result in separate disclosure of revenue for service components that are part of a lease (i.e. a non-lease component).

(ii) Financial Instruments (“IFRS 9”)

The Trust will adopt IFRS 9, *Financial Instruments: Classification and Measurement*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*, in its financial statements for the annual period beginning on January 1, 2018, the mandatory effective date.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost; fair value through other comprehensive income (“FVOCI”); and fair value through profit or loss (“FVTPL”), and eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the ‘incurred loss’ impairment model in IAS 39 with a forward-looking ‘expected credit loss’ model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Trust does not currently apply hedge accounting in its financial statements.

The initial adoption of IFRS 9 is not expected to have a significant impact on the Trust.

(iii) Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. Lessor accounting remains similar to the current standard. The Trust is evaluating the identification of leases and non-lease components in accordance with the new requirements. IFRS 16 is only applicable to lease components and therefore other standards, such as IFRS 15, will apply to non-lease components of contracts. IFRS 15 requires allocation of transaction prices to relative standalone selling prices. The Trust is evaluating whether this will have a measurement impact. The new standard is effective for years beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

(iv) Classification and Measurement of Share-based Payment Transactions (Amendments to “IFRS 2”)

The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payments transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Trust intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018 prospectively. The Trust does not expect the amendments to have a material impact on the financial statements.

EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

The below-noted measures are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

Funds From Operations (FFO) and Adjusted Funds From Operations (AFFO) are not IFRS financial measures. FFO and AFFO are industry terms commonly used in the real estate industry and their calculations are prescribed in publications of the Real Property Association of Canada (REALpac). Plaza calculates FFO and AFFO in accordance with REALpac's publications.

In late 2016, REALpac undertook an initiative to prescribe definitions for certain non-IFRS financial measures used in the real estate industry, such as AFFO (whereas previously a prescribed definition only existed for FFO). The new guidelines were issued in March 2017 and Plaza has adopted the new definition for AFFO, as this is a non-IFRS financial measure that has always been used and reported by Plaza. Prior year comparative amounts for AFFO have been restated to reflect the new prescribed definition.

FFO and AFFO 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. AFFO is an industry standard widely used for measuring recurring or sustainable economic operating performance and AFFO further primarily adjusts FFO for operating capital and leasing (both internal and external) requirements that must be made merely to preserve the existing rental stream. 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. See the reconciliation of FFO and AFFO to profit for the period attributable to unitholders in Part II of this MD&A under the heading "Property and Corporate Financial Performance".

Plaza considers FFO and AFFO meaningful additional measures as they adjust for certain non-cash and other items that do not necessarily provide an appropriate picture of the Trust's recurring performance. They more reliably show the impact on operations of trends in occupancy levels, rental rates, net property operating income, interest costs and sustaining capital expenditures compared to profit determined in accordance with IFRS. As well, FFO and AFFO allow some comparability amongst different real estate entities using the same definition of FFO and AFFO.

FFO per unit and AFFO per unit are not IFRS financial measures. Plaza calculates FFO per unit and AFFO per unit as FFO or 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 the reconciliation of EBITDA to profit for the period in Part III of this MD&A under the heading "Capital Resources, Equity and Debt Activities – Debt Service Ratios".

Same-Asset Net Property Operating Income (Same-asset NOI) is not an IFRS financial measure. Same-asset NOI, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. Same-asset NOI is used by Plaza to evaluate the period over period performance of those properties owned by Plaza since January 1, 2016, and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition. Its calculation is revenues less operating expenses for the same-asset pool of properties. The revenues or operating expenses exclude the impact of non-cash straight-line rent, administrative expenses charged to NOI, property tax settlements and lease buyout revenue. Excluding these items enables the users to better understand the period over period performance for a consistent pool of assets from contractual rental rate changes embedded in lease agreements, and the impact of leasing and occupancy on the same-asset portfolio. See the reconciliation of same-asset NOI to NOI in Part II of this MD&A under the heading "Property and Corporate Financial Performance".

EXPLANATION OF ADDITIONAL IFRS 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).

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 Plaza's website at www.plaza.ca.

PROPERTIES OF THE TRUST

A chart listing the Trust's properties at December 31, 2017 can be accessed on Plaza's website at www.plaza.ca.

APPENDIX A**FOURTH QUARTER 2017 INCOME RESULTS****Consolidated Statements of Comprehensive Income**


(000s) (unaudited)	3 Months Ended December 31, 2017	3 Months Ended December 31, 2016
Revenues	\$ 25,679	\$ 25,241
Operating expenses	(10,190)	(9,585)
Net property operating income	15,489	15,656
Share of profit of associates	17	1,861
Administrative expenses	(2,223)	(1,990)
Investment income	163	215
Other income	602	528
Income before finance costs, fair value adjustments and income taxes	14,048	16,270
Finance costs	(6,405)	(6,626)
Finance costs – net change in fair value of convertible debentures	(94)	1,274
Finance costs – net change in fair value of Class B exchangeable LP units	152	316
Finance costs – net change in fair value of interest rate swap and bond forward	-	137
Net change in fair value of investment properties	2,124	(1,570)
Profit before income tax	9,825	9,801
Income tax expense		
- Current	(88)	(48)
- Deferred	(207)	(179)
	(295)	(227)
Profit and total comprehensive income for the period	\$ 9,530	\$ 9,574
Profit and total comprehensive income for the period attributable to:		
- Unitholders	\$ 9,431	\$ 9,535
- Non-controlling interests	99	39
	\$ 9,530	\$ 9,574

Management's Statement of Responsibility for Financial Reporting

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 22, 2018



Floriana Cipollone
Chief Financial Officer
February 22, 2018



KPMG LLP

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INDEPENDENT AUDITORS' REPORT

To the Unitholders 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, 2017 and December 31, 2016, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended, 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 audit 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, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is positioned above a horizontal line.

Chartered Professional Accountants

February 22, 2018

Fredericton, Canada

Plaza Retail REIT
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

December 31, December 31,
2017 2016

Assets

Non-Current Assets

Investment properties (Note 4)	\$ 959,618	\$ 959,889
Investments (Note 5)	45,550	46,551
Tenant loans	403	846
Deferred income tax asset (Note 15)	520	126
Total non-current assets	1,006,091	1,007,412

Current Assets

Cash	6,250	5,182
Receivables (Note 6)	4,480	3,542
Prepaid expenses and deposits (Note 7)	4,067	2,518
Investments (Note 5)	-	99
Tenant loans	448	469
Notes and advances receivable (Note 8)	9,999	10,578
Investment properties held for sale (Note 4)	-	92
Total current assets	25,244	22,480
Total assets	\$ 1,031,335	\$ 1,029,892

Liabilities and Unitholders' Equity

Non-Current Liabilities

Debentures payable (Note 9)	\$ 11,437	\$ 44,093
Mortgage bonds payable (Note 10)	14,764	11,843
Mortgages payable (Note 11)	410,879	414,839
Class B exchangeable LP units (Note 20)	5,393	6,595
Deferred income tax liability (Note 15)	7,547	7,217
Total non-current liabilities	450,020	484,587

Current Liabilities

Current portion of debentures payable (Note 9)	38,336	16,079
Bank indebtedness (Note 12)	29,538	12,562
Current portion of mortgage bonds payable (Note 10)	-	2,905
Current portion of mortgages payable (Note 11)	33,700	45,005
Accounts payable, accrued liabilities, tenant payables and tenant deposits (Note 13)	15,222	15,821
Notes payable (Note 14)	1,424	1,190
Total current liabilities	118,220	93,562
Total liabilities	568,240	578,149

Unitholders' equity	458,864	447,805
Non-controlling interests	4,231	3,938
Total unitholders' equity	463,095	451,743
Total liabilities and unitholders' equity	\$ 1,031,335	\$ 1,029,892

Contingencies, commitments, guarantees and indemnities, litigation and provisions – see Note 26
Subsequent events – see Note 29



Barbara Trenholm, Trustee



Earl Brewer, Trustee

The notes on pages 43 to 74 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	2017	2016
Revenues (Note 16)	\$ 102,887	\$ 100,215
Operating expenses (Note 17)	(38,529)	(37,543)
Net property operating income	64,358	62,672
Share of profit of associates	587	5,181
Administrative expenses (Note 18)	(9,139)	(8,807)
Investment income	763	711
Other income	1,726	1,922
Income before finance costs, fair value adjustments and income taxes	58,295	61,679
Finance costs (Note 19)	(25,646)	(27,379)
Finance costs - net change in fair value of convertible debentures (Note 9)	339	(1,256)
Finance costs - net change in fair value of Class B exchangeable LP units (Note 20)	970	(396)
Finance costs - net change in fair value of interest rate swap and bond forward (Note 11 and 27)	-	(154)
Net change in fair value of investment properties (Note 4)	(10,392)	1,648
Profit before income tax	23,566	34,142
Income tax recovery (expense)		
- Current	(183)	(132)
- Deferred	64	(1,252)
	(119)	(1,384)
Profit and total comprehensive income	\$ 23,447	\$ 32,758
Profit and total comprehensive income attributable to:		
- Unitholders	\$ 23,232	\$ 32,631
- Non-controlling interests	215	127
	\$ 23,447	\$ 32,758

The notes on pages 43 to 74 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Changes in Unitholders' Equity

(in thousands of Canadian dollars)

	Trust Units (Note 20)	Retained Earnings	Total Attributable to Unitholders	Non- Controlling Interests	Total Equity
Balance as at December 31, 2015	\$ 233,224	\$ 182,441	\$ 415,665	\$ 3,885	\$ 419,550
Profit and total comprehensive income	-	32,631	32,631	127	32,758
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders – DRIP and RSU plan	1,376	-	1,376	-	1,376
- Public offering, net of issue costs	21,674	-	21,674	-	21,674
- Units issued through debt conversion	1,737	-	1,737	-	1,737
- Distributions to unitholders (Note 22)	-	(25,278)	(25,278)	-	(25,278)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(74)	(74)
Balance as at December 31, 2016	\$ 258,011	\$ 189,794	\$ 447,805	\$ 3,938	\$ 451,743
Profit and total comprehensive income	-	23,232	23,232	215	23,447
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	2,702	-	2,702	-	2,702
- Units issued through debt conversion	12,213	-	12,213	-	12,213
- Units issued from exchange of Class B exchangeable LP units	232	-	232	-	232
- Distributions to unitholders (Note 22)	-	(27,320)	(27,320)	-	(27,320)
- contributions from/(distributions to) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	78	78
Balance as at December 31, 2017	\$ 273,158	\$ 185,706	\$ 458,864	\$ 4,231	\$ 463,095

The notes on pages 43 to 74 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

2017

2016

Cash obtained from (used for):

Operating activities

Profit and total comprehensive income	\$ 23,447	\$ 32,758
Items not affecting cash:		
Finance costs (Note 19)	25,646	27,379
Share of profit of associates	(587)	(5,181)
Net change in fair value of investment properties	10,392	(1,648)
Net change in fair value of convertible debentures	(339)	1,256
Net change in fair value of Class B exchangeable LP units	(970)	396
Net change in fair value of interest rate swap and bond forward (Note 11 and 27)	-	154
Current and deferred income taxes	119	1,384
Straight-line rent revenue	239	(412)
Interest paid	(24,345)	(26,158)
Income taxes paid	(168)	(152)
Distributions from equity accounted investments (Note 5)	1,376	1,180
Leasing commissions	(157)	(794)
Change in non-cash working capital (Note 23)	1,129	2,754
	<u>35,782</u>	<u>32,916</u>

Financing activities

Issuance of units from public offering, net of issue costs	-	21,674
Cash paid on conversion of convertible debentures (Note 9)	(1,454)	(197)
Cash distributions paid to unitholders (Note 22)	(24,713)	(23,920)
Cash distributions paid to Class B exchangeable LP unitholders	(354)	(343)
Gross proceeds of mortgage bonds and debentures	9,000	11,500
Finance charges incurred for bonds and debentures	(232)	(164)
Redemption/repayment of mortgage bonds and debentures	(5,276)	(15,100)
Gross mortgage proceeds	36,933	67,106
Fees incurred for placement of mortgages	(415)	(672)
Loan defeasance expenses and early mortgage discharge fees paid	(56)	(462)
Mortgages repaid	(31,975)	(69,077)
Periodic mortgage principal repayments	(10,416)	(10,185)
Redemptions of bonds purchased for mortgage defeasances	-	19,211
Increase in notes payable	234	15
	<u>(28,724)</u>	<u>(614)</u>

Investing activities

Acquisitions of investment properties and land (Note 4)	(11,494)	(15,122)
Investment properties - additions	(20,592)	(16,910)
Net proceeds from disposal of investment properties and land (Note 4(e))	9,282	21,491
Net proceeds from disposal of investment properties and land on properties previously classified as held for sale (Note 4(f))	92	1,800
Advances to equity accounted investments for developments (Note 5)	(1,039)	(2,050)
Contributions to/(distributions from) subsidiaries from/to non-controlling interests	78	(74)
Decrease (increase) in deposits for acquisitions and financings (Note 7)	(1,686)	336
Decrease (increase) in notes and advances receivable	1,929	(5,894)
Issuance of tenant loans	(5)	(16)
Repayment of tenant loans	469	499
	<u>(22,966)</u>	<u>(15,940)</u>

Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the year	(15,908)	16,362
	<u>(7,380)</u>	<u>(23,742)</u>
Cash less bank indebtedness, end of the year	\$ (23,288)	\$ (7,380)

The notes on pages 43 to 74 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

(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. Management does not distinguish or group its operations by geography or any other basis, when measuring its performance or making decisions. Accordingly, the Trust has a single reportable segment for disclosure purposes.

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 22, 2018.

(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 that are measured at fair value:

- Interest rate swaps;
- Interest rate hedges;
- Unit-based payments;
- Convertible debentures;
- Investment property;
- Investment property included in investments; and
- Exchangeable units.

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 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.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

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

(i) Subsidiaries

Subsidiaries are entities over which the Trust has control. The Trust has control over an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When the Trust does not own all of the equity in a subsidiary, the non-controlling equity interest is disclosed in the consolidated balance sheet as a separate component of total equity.

(ii) Associates and joint ventures

Associates are entities over which the Trust has significant influence over the financial and operating policies of the entities and that are neither subsidiaries nor interests in joint ventures.

A joint venture is a type of joint arrangement whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method and initially recorded at cost and adjusted thereafter to recognize the Trust's share of the profit or loss and other comprehensive income of the associate or joint venture. The Trust's share of the associate or joint venture's profit or loss is recognized in the Trust's consolidated statements of comprehensive income under share of profit of associates.

(iii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The Trust recognizes its proportionate share of assets, liabilities, revenues and expenses of joint operations.

The financial statements of the associates, joint ventures, and joint operations are prepared for the same reporting period as the Trust, using consistent accounting policies.

(b) Investment Properties

Investment properties consist of all of the Trust's 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 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 and loss in the period in which they arise.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

Development properties included in investment properties consist of properties under construction, which are recorded at fair value less costs to complete.

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. Investment properties classified as held for sale are recorded at fair value less costs of disposal. Any difference between the existing fair value and the calculated fair value less costs of disposal, at the time the asset is reclassified, is recorded through change in fair value.

(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 Recognition

(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 from leases 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.

(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.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

(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 and employees 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.

The Trust issues unit-based awards, comprised of deferred units, to non-employee trustees. Under the deferred unit plan, the fair value of the deferred units granted is recognized as compensation expense in the period the deferred units are granted and the fair value is updated at the end of each reporting 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 or deferred 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 or deferred 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 consist of the Trust's associates and joint ventures accounted for using the equity method, other investments in entities not accounted for using the equity method and other held-to-maturity financial assets. For investments in entities not accounted for using the equity method, amounts received or receivable in accordance with the income distribution formula of the entity, if not capital or financing receipts, are included in income. For investments in entities accounted for using the equity method, amounts received 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 under share of profit of associates, 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.

Investments in entities not accounted for using the equity method are measured at fair value. See (i) below for the accounting for held-to-maturity financial assets.

(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 used in the effective interest method ("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.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

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.

(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.

The Class B exchangeable limited partnership ("LP") units of the Trust's subsidiary are exchangeable into units of the Trust at the option of the holder. These exchangeable units are considered puttable instruments in accordance with IAS 32, "Financial instruments: presentation", and are required to be classified as financial liabilities at fair value through profit or loss. The distributions paid on the exchangeable LP units are accounted for as finance costs.

(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 mortgage bonds, 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 transaction 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 and advances receivable and tenant loans.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

(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 and loss.

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

(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 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 and bond forwards (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 and 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 liabilities, the fair value adjustment on interest rate swap and bond forward 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 into finance costs using the effective interest method over the anticipated life of the related debt.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

(m) *Changes in Accounting Policies*

(i) Disclosure Initiative (Amendments to “IAS 7”)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments to IAS 7 became effective for the annual period beginning on January 1, 2017. The Trust adopted these amendments and as a result, new disclosures have been added to the Trust’s financial statements.

(ii) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to “IAS 12”)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The amendments to IAS 12 became effective for the annual period beginning on January 1, 2017. The adoption of the amendments did not have a material impact on the Trust’s financial statements.

(n) *Future Changes in Accounting Policies*

(i) Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15, *Revenue from Contracts with Customers* is effective for annual periods beginning on or after January 1, 2018, and will replace: IAS 11, *Construction Contracts*; IAS 18, *Revenue*; International Financial Reporting Interpretations Committee (“IFRIC”) 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers*; and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 contains a single, control-based model that applies to contracts with customers and two approaches to recognizing 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. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

The implementation of IFRS 15 will be applied on January 1, 2018 and is not expected to have a significant impact on the Trust. However, additional disclosure requirements may result in separate disclosure of revenue for service components that are part of a lease (i.e. a non-lease component).

(ii) Financial Instruments (“IFRS 9”)

The Trust will adopt IFRS 9, *Financial Instruments: Classification and Measurement*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”), in its financial statements for the annual period beginning on January 1, 2018, the mandatory effective date.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost; fair value through other comprehensive income (“FVOCI”); and fair value through profit or loss (“FVTPL”), and eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the ‘incurred loss’ impairment model in IAS 39 with a forward-looking ‘expected credit loss’ model. The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as FVTPL are recognized in profit or loss, whereas under IFRS 9 the amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss.

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Trust does not currently apply hedge accounting in its financial statements. The initial adoption of IFRS 9 is not expected to have a significant impact on the Trust.

(iii) Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16, *Leases*. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. Lessor accounting remains similar to the current standard. The Trust is evaluating the identification of leases and non-lease components in accordance with the new requirements. IFRS 16 is only applicable to lease components and therefore other standards, such as IFRS 15, will apply to non-lease components of contracts. IFRS 15 requires allocation of transaction prices to relative standalone selling prices. The Trust is evaluating whether this will have a measurement impact. The new standard is effective for years beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

(iv) Classification and Measurement of Share-based Payment Transactions (Amendments to “IFRS 2”)

The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payments transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Trust intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018 prospectively. The Trust does not expect the amendments to have a material impact on the financial statements.

4. Investment Properties

	December 31, 2017			December 31, 2016		
	Income producing properties	Properties under development	Total	Income producing properties	Properties under development	Total
Balance, beginning of the year:	\$ 912,462	\$ 47,427	\$ 959,889	\$ 907,345	\$ 38,412	\$ 945,757
Additions (deductions):						
Additions to investment properties	7,264	10,918	18,182	8,252	10,334	18,586
Additions – acquisitions of investment properties and land	2,055	9,439	11,494	2,731	12,391	15,122
Disposals ⁽¹⁾	(16,884)	(2,433)	(19,317)	(21,491)	-	(21,491)
Transfers	8,431	(8,431)	-	12,922	(12,922)	-
Investment properties held for sale	-	-	-	(92)	-	(92)
Straight line rent receivable change	(337)	99	(238)	344	15	359
Change in fair value ⁽²⁾	(7,027)	(3,365)	(10,392)	2,451	(803)	1,648
Balance, end of the year:	\$ 905,964	\$ 53,654	\$ 959,618	\$ 912,462	\$ 47,427	\$ 959,889

⁽¹⁾ Cash received from disposals as per the statement of cash flows of \$9.3 million is net of \$10.0 million of mortgages assumed by purchasers.

⁽²⁾ The change in fair value includes a loss of \$160 thousand (December 31, 2016 – \$895 thousand gain) related to properties where the Trust has a 20% ownership interest and a 50% economic interest above its invested capital.

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, and as applicable, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, \$322 million of investment properties were based on such external appraisals (December 31, 2016 - \$281 million).

Plaza Retail REIT

Notes to the Consolidated Financial Statements

December 31, 2017

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

(ii) Internal approach - direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to budgeted normalized net operating income (property revenue less property operating expenses). Normalized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). 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, 2017 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	72	6.44%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	117	7.26%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	13	7.07%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	31	7.03%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.61%	5.75% - 9.00%	6.00% - 11.00%
Enclosed Malls – Community	4	7.80%	7.50% - 9.50%	7.50% - 11.00%
	275	7.02%		

⁽¹⁾ Excludes certain properties under development 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, 2017 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 \$35.1 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$32.6 million.

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As at December 31, 2016 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	68	6.45%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	121	7.30%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	14	7.11%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	30	6.97%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.66%	6.00% - 9.00%	6.50% - 11.00%
Enclosed Malls – Community	4	7.79%	7.50% - 9.50%	7.50% - 11.00%
	275	7.03%		

⁽¹⁾ Excludes certain properties under development and non-consolidated trusts and partnerships.

(a) Straight-line Rent

Included in investment properties at December 31, 2017 is \$11.9 million (December 31, 2016 - \$12.3 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, 2017 is \$1.4 million of surplus lands at fair value (December 31, 2016 - \$3.6 million).

(c) Borrowing Costs

The total amount of borrowing costs capitalized for the year ended December 31, 2017 is \$348 thousand (for the year ended December 31, 2016 - \$126 thousand).

(d) Acquisitions

During the year ended December 31, 2017, the Trust purchased the following (all including closing costs): land adjacent to an existing property in Picton, ON for \$217 thousand; land in Fredericton, NB for \$287 thousand; land in Dunnville, ON for \$279 thousand; land in Gatineau, QC for \$1.1 million; a 50% interest in development lands in Mississauga, ON for \$6.1 million; a 50% interest in an existing property for redevelopment in Saguenay, QC for \$3.3 million; and development lands in Liverpool, NS for \$168 thousand.

During the year ended December 31, 2016, the Trust acquired an additional 5.5% interest in the Village Shopping Centre in St. John's, NL for \$2.7 million. The Trust now owns 50.0% of this property. The Trust also acquired a 50.0% interest from an arms-length party in three properties located in Miramichi, NB, Cornwall, ON and New Liskeard, ON for \$11.5 million. As consideration for the acquisition the Trust paid cash of \$750 thousand, issued a vendor take-back interest-only mortgage secured by one of the properties of \$5.25 million bearing interest at 5.00% per annum with a seven year term, and issued \$5.5 million, 5.50% Series VII convertible debentures. The vendor take-back mortgage is repayable at any time without penalty. Closing costs associated with the acquisition were \$155 thousand. The Trust also acquired land for development in Saint John, NB for \$757 thousand.

(e) Disposals

During the year ended December 31, 2017, the Trust disposed of surplus land in Kenora, ON for net proceeds of \$92 thousand which was recorded as investment properties held for sale at December 31, 2016. The Trust also disposed of land in Calgary, AB and in Miramichi, NB for net proceeds of \$78 thousand and \$272 thousand, respectively. The Trust disposed of properties in North Sydney, NS, for net proceeds of \$215 thousand, in Oshawa, ON for net proceeds of \$662 thousand, in Hamilton, ON for net proceeds of \$577 thousand and in Niagara Falls, ON for net proceeds \$287 thousand. The Trust disposed of a 50% non-managing interest in eight properties in Edmundston, NB, Woodstock, NB, Grand Falls, NB, Yarmouth, NS and Sydney, NS for net proceeds of \$17.3 million (\$7.3 million after assumption of 50% of the existing mortgages).

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During the year ended December 31, 2016, the Trust disposed of income producing properties for net proceeds of \$20.5 million in Aurora, ON, Calgary, AB, London, ON, Markham, ON, Toronto, ON and Mississauga, ON. As well, the Trust disposed of income producing properties in Toronto, ON and Windsor, ON for net proceeds of \$1.8 million, which were recorded as investment properties held for sale at December 31, 2015. The Trust also disposed of surplus land for net proceeds of \$997 thousand in Fredericton, NB, Oromocto, NB and Coaticook, QC.

(f) Investment Properties held for Sale

At December 31, 2016 the Trust had segregated investment properties held for sale of \$92 thousand for land located in Kenora, ON. This land was sold in January 2017.

5. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	December 31, 2017	December 31, 2016
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 10,949	\$ 11,853
Trois Rivières Limited Partnership	15%	10%	30%	2,851	2,775
Plazacorp-Shediac Limited Partnership	10%	8%	50%	2,005	1,557
VGH Limited Partnership	20%	8%	27%	2,430	4,128
Plazacorp Ontario1 Limited Partnership	25%	4%	25%	2,344	2,221
Plazacorp Ontario2 Limited Partnership	50%	-	-	3,728	3,495
Plazacorp Ontario3 Limited Partnership	50%	-	-	2,185	2,119
Plazacorp Ontario4 Limited Partnership	50%	-	-	1,826	1,951
RBEG Limited Partnership	50%	-	-	2,309	2,716
CPRDL Limited Partnership	50%	-	-	2,309	2,258
Fundy Retail Ltd.	50%	-	-	1,143	913
Ste. Hyacinthe Limited Partnership	25%	-	-	175	174
144 Denison East Limited Partnership	25%	-	-	17	-
The Shoppes at Galway Limited Partnership	50%	-	-	10,021	9,226
				44,292	45,386
Fair Value Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	1,159	1,165
				45,451	46,551
Held-to-Maturity Investments					
	Maturity Date	Weighted Average Rate			
Bonds and cash – substituted for mortgage security	Aug 1/20	7.0%		99	99
Total investments				45,550	46,650
Less: Current portion of investments				-	(99)
Investments – long-term portion				\$ 45,550	\$ 46,551

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 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, 2017 include investments that are made up of mortgage bonds totaling \$99 thousand with a yield of 7% (December 31, 2016 - \$99 thousand with a yield of 7%).

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For the year ended December 31, 2017 the Trust received \$1.4 million of distributions (for the year ended December 31, 2016 - \$1.2 million) from equity accounted investments. For the year ended December 31, 2017 the Trust made \$1.0 million in contributions (for the year ended December 31, 2016 - \$2.1 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, 2017		December 31, 2016	
	Equity accounted investments	Fair value accounted investments	Equity accounted investments	Fair value accounted investments
Cash	\$ 3,077	\$ 500	\$ 3,909	\$ 495
Current assets	\$ 921	\$ 63	\$ 1,017	\$ 135
Long term assets	\$ 292,284	\$ 32,699	\$ 285,293	\$ 42,353
Current liabilities	\$ 2,348	\$ 153	\$ 4,521	\$ 219
Long term liabilities	\$ 140,634	\$ 19,689	\$ 140,539	\$ 29,789
Revenues	\$ 22,458	\$ 3,254	\$ 20,510	\$ 3,400
Expenses	\$ (13,353)	\$ (3,031)	\$ (12,089)	\$ (3,067)
Fair value gain (loss)	\$ 1,775	\$ 441	\$ 5,337	\$ (9)
Profit	\$ 10,879	\$ 664	\$ 13,758	\$ 324

6. Receivables

Receivables consist of the following:

	December 31, 2017	December 31, 2016
Tenant accounts receivable, net of allowance	\$ 1,214	\$ 1,417
Excise tax	1,525	1,007
Other receivables	1,720	1,063
Income taxes receivable	21	55
Total receivables	\$ 4,480	\$ 3,542

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, 2017 is \$77 thousand (December 31, 2016 - \$138 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the year ended December 31, 2017 (for the year ended December 31, 2016 - nil).

7. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2017	December 31, 2016
Prepaid expenses	\$ 2,277	\$ 2,367
Deposits for acquisitions and financings	1,790	104
Restricted deposits, primarily property tax escrows under mortgage agreements	-	47
Total prepaid expenses and deposits	\$ 4,067	\$ 2,518

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8. Notes and Advances Receivable

The notes and advances 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 and advances are due on demand.

9. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	December 31, 2017	December 31, 2016
Convertible ⁽¹⁾				
Series C	December 31, 2017	7.00%	\$ -	\$ 16,079
Series D	December 31, 2018	5.75%	34,336	34,510
Series VII	June 30, 2021	5.50%	5,554	5,583
Total convertible debentures			39,890	56,172
Non-convertible ^{(2) (3)}	Various (see below)	5.00%	9,883	4,000
Total debentures payable			49,773	60,172
Less: current portion of debentures payable			(38,336)	(16,079)
Debentures payable – long-term portion			\$ 11,437	\$ 44,093

⁽¹⁾ Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2017 was a gain of \$339 thousand (2016 – loss of \$1.3 million)

⁽²⁾ Recorded at amortized cost

⁽³⁾ Net of unamortized finance charges of \$117 thousand (December 31, 2016 - nil)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series D	Series VII
Conversion price	\$5.75	\$6.04
Trust's first redemption date	December 31, 2016	June 30, 2019
Par call date	December 31, 2017	June 30, 2020
Maturity date	December 31, 2018	June 30, 2021
Face value outstanding	\$34,000	\$5,500
Publicly listed	yes	no

Non-convertible debenture maturities are as follows:

	Series I			Series II	Total
	Tranche A	Tranche B	Tranche C		
Face value outstanding	\$1,600	\$2,300	\$100	\$6,000	\$10,000
Maturity date	February 26, 2018	April 15, 2018	May 2, 2018	February 28, 2022	

Series C convertible debentures were originally 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 C debentures was convertible into \$112.76 in cash and 190 units of the Trust. On November 30, 2016, the Trust issued a redemption notice for the Series C convertible debentures to be redeemed on January 9, 2017. A total of \$1.75 million were converted in 2016 into 333 thousand units and \$198 thousand in cash, leaving a balance of \$15.2 million in face value of debentures. Between January 3rd and 6th, 2017, \$12.9 million were converted into 2.45 million units and \$1.5 million in cash. On January 9, 2017, the remaining \$2.3 million were redeemed and paid out.

On February 28, 2017, the Trust issued \$6.0 million in Series II unsecured debentures with an interest rate of 5.0% per annum maturing on February 28, 2022.

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10. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

				December 31, 2017	December 31, 2016
	Series X	Series XI	Series XII	Total	Total
Various properties, 1 st mortgage – Series IX	\$ -	\$ -	\$ -	\$ -	\$ 3,000
Various properties, 1 st mortgage	6,000	-	-	6,000	6,000
Various properties, 1 st mortgage	-	6,000	-	6,000	6,000
Various properties, 1 st mortgage	-	-	3,000	3,000	-
Gross mortgage bonds payable	6,000	6,000	3,000	15,000	15,000
Less: unamortized finance charges				(236)	(252)
Net mortgage bonds payable				14,764	14,748
Less: current portion of mortgage bonds payable				-	(2,905)
Net mortgage bonds payable – long-term portion				\$ 14,764	\$ 11,843

	Series X	Series XI	Series XII
Interest Rate	5.00%	5.00%	5.50%
Maturity Date	July 25, 2020	July 8, 2019	July 15, 2022
Amount	\$6,000	\$6,000	\$3,000

The Series X, XI and XII mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required.

The Trust can redeem up to one-half of the Series X, XI and XII mortgage bonds at par on the third and fourth anniversaries for the Series X mortgage bonds and the first and second anniversaries for the Series XI and XII mortgage bonds, being: June 25, 2018 and June 25, 2019 for the Series X mortgage bonds; July 8, 2018 for the Series XI mortgage bonds; and July 15, 2018 and July 15, 2019 for the Series XII mortgage bonds.

On July 15, 2017, the \$3.0 million 5.50% Series IX mortgage bonds matured and were repaid.

On July 15, 2017, the \$3.0 million 5.50% Series XII mortgage bonds were issued.

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11. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	December 31, 2017	December 31, 2016
Fixed rate loans:	2.47% - 7.29%	4.57%	Up to June 2034	\$ 433,995	\$ 452,231
Fair value of interest rate swap				175	357
Revaluation of loans upon acquisition of KEYreit, net of amortization of \$5,770 (December 31, 2016 - \$5,619)				264	415
Less: unamortized finance charges				(2,472)	(3,024)
Total net fixed rate loans				431,962	449,979
Variable rate loans:					
- \$20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2018	2,710	2,825
- \$15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2018	4,592	4,075
- \$3.0 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		May 26, 2018	2,768	2,622
- \$907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		September 15, 2018	712	467
- \$6.6 million secured non-revolving construction credit facility	Prime plus 2.25% or BA plus 3.75% ⁽¹⁾		November 30, 2019	1,950	-
Less: unamortized finance charges				(115)	(124)
Total net variable rate loans				12,617	9,865
Net mortgages payable				444,579	459,844
Less: mortgages payable for investment properties held for sale				-	(742)
Less: mortgages payable – current portion				(33,700)	(45,005)
Total mortgages payable – long-term portion				\$ 410,879	\$ 414,839

⁽¹⁾ Rates reduce to prime plus 1.25% or BA plus 2.75% once construction begins and construction draws under the facility are advanced.

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 revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a \$20.0 million one-year revolving facility that bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.25%, and the other is a \$15.0 million two-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.00%. In July 2017, the \$20.0 million development facility was renewed with the same terms and conditions until July 31, 2018. At December 31, 2017 there is \$27.7 million available on these development facilities (December 31, 2016 - \$28.1 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 coverage, interest coverage and occupancy covenants, as well as unitholder equity tests. As of December 31, 2017 the Trust is in compliance with all financial covenants.

The Trust's \$3.0 million secured non-revolving construction facility was renewed until May 26, 2018 with the same terms and conditions and the \$907 thousand secured non-revolving construction facility was extended until September 15, 2018 with the same terms and conditions.

In November 2017, the Trust obtained a \$6.6 million secured non-revolving construction credit facility (at the Trust's percentage ownership) relating to the acquisition of a development property.

In the second quarter of 2015 as part of the acquisition of a development property, the Trust assumed a \$4.0 million variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate). The interest rate swap matures on August 13, 2023 and is recorded at fair value.

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In July 2015, the Trust entered into an interest rate hedge in the form of a bond forward, with a Canadian chartered bank, in anticipation of long-term financing on two development properties once completed in order to hedge the 10-year Government of Canada bond rate. The hedge was for a notional amount of \$6.0 million and was for a twelve month period, with a settlement date of July 29, 2016. The all-in hedged rate was 1.715%. The bond forward did not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) were recognized in profit and loss in each reporting period. On July 29, 2016, the bond forward matured and \$368 thousand was paid based on the applicable Government of Canada bond rate on the maturity date.

12. Bank Indebtedness

The Trust pledged additional properties to increase its operating line of credit from \$30.0 million to \$44.0 million (December 31, 2016 - \$30.0 million) in March 2017. The operating line of credit facility is with a Canadian chartered bank at the rate of prime plus 0.75% or BAs plus 2.00%, maturing July 31, 2018. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at December 31, 2017, the available limit was \$41.2 million of which \$29.5 million (December 31, 2016 - \$12.6 million) was drawn and therefore the maximum amount available to be drawn on the facility was \$11.0 million (December 31, 2016 - \$16.4 million), net of letters of credit outstanding of \$750 thousand (December 31, 2016 - \$1.0 million). As security, at December 31, 2017, the Trust has provided a \$50.0 million demand debenture secured by a first mortgage over forty-one properties.

13. Accounts Payable, Accrued Liabilities, Tenant Payables and Tenant Deposits

Accounts payable, accrued liabilities, tenant payables and tenant deposits consist of the following:

	December 31, 2017	December 31, 2016
Accounts payable and accrued liabilities	\$ 7,395	\$ 9,042
Distributions payable	2,315	2,163
Excise tax payable	1,055	1,105
Accrued interest payable	1,735	1,715
Deferred tenant revenue and deposits	2,195	1,304
Other	527	492
Total accounts payable, accrued liabilities, tenant payables and tenant deposits	\$ 15,222	\$ 15,821

14. Notes Payable

Notes payable consist of the following:

	Interest Rate	December 31, 2017	December 31, 2016
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	1,163	929
Total notes payable		\$ 1,424	\$ 1,190

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

15. 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

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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, 2017	December 31, 2016
<u>Deferred income tax assets</u>		
Tax loss carry-forwards of subsidiaries	\$ 520	\$ 126
<u>Deferred income tax liabilities</u>		
Income producing properties	7,547	7,217
Net deferred income tax liability	\$ 7,027	\$ 7,091

Distributions are declared monthly at the discretion of the Board of Trustees of the Trust, provided that the Board of Trustees intend to make distributions sufficient to reduce or eliminate the Trust's liability for income tax under Part I of the Income Tax Act (*Canada*).

	2017	2016
Cash distributions declared	\$ 27,320	\$ 25,278
Required cash distributions to ensure no Part I tax	12,747	14,879
Total discretionary cash distributions	\$ 14,573	\$ 10,399

16. Revenues

	2017	2016
Contractual revenue	\$ 73,734	\$ 72,293
Straight-line rent revenue	(239)	412
Recovery revenue	27,490	26,923
Lease buyout fees	1,676	316
Other revenue	226	271
Total property revenues	\$ 102,887	\$ 100,215

17. Operating Expenses

	2017	2016
Property taxes	\$ 19,947	\$ 19,757
Recoverable expenses	13,848	12,922
Non-recoverable expenses	4,734	4,864
Total operating expenses	\$ 38,529	\$ 37,543

18. Administrative Expenses

	2017	2016
Salaries and benefits	\$ 6,270	\$ 6,154
Professional services	1,010	953
Office expenses	1,859	1,700
Total administrative expenses	\$ 9,139	\$ 8,807

Total employee salaries and benefits paid by the Trust during the year were \$12.1 million, of which \$4.6 million is included in operating expenses, \$6.2 million is included in administrative expenses and \$1.3 million has been capitalized to income

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producing properties (for the year ended December 31, 2016 - \$10.4 million, of which \$4.0 million is in operating expenses, \$5.9 million is in administrative expenses and \$0.5 million is in income producing properties).

19. Finance Costs

	2017	2016
Mortgage interest	\$ 19,801	\$ 20,833
Debenture interest	2,713	3,735
Mortgage bond interest	765	799
Distributions paid to Class B exchangeable LP unitholders	354	343
Operating line of credit interest	1,008	466
Interest and bank charges	341	281
Amortization of finance charges	1,107	946
Loan defeasances and early mortgage discharge fees	56	462
Mark to market adjustments	(151)	(360)
Capitalization of interest	(348)	(126)
Total finance costs	\$ 25,646	\$ 27,379

20. 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 including 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 Toronto Stock Exchange ("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.

(b) Issued and Outstanding

(i) Class B Exchangeable LP Units

The Class B exchangeable units are economically equivalent to units of the Trust and are exchangeable at any time into units of the Trust on a one-for-one basis. These units are puttable instruments where the Trust has a contractual obligation to issue Trust units to the exchangeable unitholders upon redemption. Holders of the exchangeable LP units are entitled to receive distributions per unit equal to distributions per unit provided to the unitholders of the Trust.

	December 31, 2017		December 31, 2016	
	Units (000s)	Amount	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the year	1,319	\$ 6,595	1,319	\$ 6,199
Exchanges	(53)	(232)	-	-
Fair value adjustment for the year	-	(970)	-	396
Exchangeable LP units outstanding, end of the year	1,266	\$ 5,393	1,319	\$ 6,595

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(ii) Special Voting Units

At December 31, 2017, there were 1,266,000 (December 31, 2016 1,319,000) special voting units outstanding, issued in connection with 1,266,000 (December 31, 2016 - 1,319,000) Class B exchangeable LP units of a subsidiary of the Trust (see above).

(iii) Units

	December 31, 2017		December 31, 2016	
	Trust Units (000s)	Amount	Trust Units (000s)	Amount
Units outstanding, beginning of the year	98,488	\$ 258,011	92,858	\$ 233,224
Issuance of units:				
Public offering, net of issue costs	-	-	5,003	21,674
Exchange of Class B exchangeable LP units	53	232	-	-
Distribution reinvestment plan	597	2,607	290	1,358
RSU plan	22	95	4	18
Convertible debenture conversions (Note 10)				
- face value of convertible debentures	2,450	11,439	333	1,554
- impact of fair value of convertible debentures	-	774	-	183
Units outstanding, end of the year	101,610	\$ 273,158	98,488	\$ 258,011

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 for this purpose in the Declaration of Trust 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 for this purpose in the Declaration of Trust 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, 2017 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan ("DRIP") 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 DRIP are issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX 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.

On March 31, 2016, the Trust completed a public offering of 5.0 million units at a price of \$4.60 per unit for gross proceeds of \$23.0 million. Costs of the offering were \$1.3 million.

21. Restricted Share Unit Plan and Deferred Unit Plan

The Trust has a Restricted Share Unit Plan ("RSU Plan") to enable the Trust to reward senior management and employees for their sustained contributions and to assist in attracting, retaining and motivating 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, net of any applicable withholding taxes. The RSUs 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, net of any applicable withholding taxes. Currently, the maximum number of units that may be issued under the RSU Plan upon the redemption of RSUs and Distribution RSUs is 5,766,226. A total of 388,778 RSUs have been granted under the RSU Plan since inception. For the year ended December 31, 2017, compensation expense of \$295 thousand (for the year ended December 31, 2016 - \$67 thousand) has been recognized in respect of the RSUs.

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	December 31, 2017	December 31, 2016
Restricted share units outstanding, beginning of the year	98,600	12,732
Granted	107,378	97,400
Vested	(33,609)	(6,998)
Forfeited	(2,600)	(4,534)
Restricted share units outstanding, end of the year	169,769	98,600

In 2015, the Trust implemented a Deferred Unit Plan (“DU Plan”) for non-employee trustees. Participants may be awarded deferred units (“DUs”) from time to time on a discretionary basis by the Corporate Governance and Compensation Committee. Each DU is economically equivalent to one unit, however, under no circumstances shall DUs be considered units nor entitle a participant to any rights as a unitholder, including, without limitation, voting rights or rights on liquidation. Participants may also elect to receive, in the form of DUs, up to 100% of their annual Board retainer, meeting fees and additional compensation paid by the Trust to a trustee in a calendar year for service on the Board or for chairing a committee of the Board. Each DU shall receive a distribution of additional DUs equal to the amount of distributions paid per unit by the Trust on its units. DUs vest immediately upon grant or issuance. The DUs shall be redeemable by the participant on or after the date on which the participant ceases to be a trustee. The DUs may be redeemed in whole or in part for units of the Trust issued from treasury or cash, as elected by the participant, net of any applicable withholding taxes. The maximum number of units that may be issued under the DU Plan upon the redemption of DUs is 750,000. A total of 67,947 DUs have been granted or issued under the DU Plan since inception and for the year ended December 31, 2017, compensation expense of \$88 thousand was recorded (for the year ended December 31, 2016 - \$121 thousand).

	December 31, 2017	December 31, 2016
Deferred units outstanding, beginning of the year	40,265	17,098
Granted	10,549	9,940
Trustee fees taken as deferred units	13,989	11,799
Distributions paid on deferred units taken as additional deferred units	3,144	1,428
Deferred units outstanding, end of the year	67,947	40,265

22. Distributions

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

	2017	2016
Distributions paid to unitholders	\$ 27,320	\$ 25,278
Distribution reinvestment proceeds	(2,607)	(1,358)
Cash distributions paid to unitholders	\$ 24,713	\$ 23,920

23. Additional Cash Flow Information

(a) Changes in Non-Cash Working Capital

	2017	2016
Receivables	\$ (973)	\$ (29)
Prepaid expenses and deposits	136	709
Change in construction accruals removed from investing activities	2,567	(882)
Accounts payable, accrued liabilities, tenant payables and tenant deposits	(601)	2,956
Total cash from change in non-cash working capital	\$ 1,129	\$ 2,754

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(b) Changes in Liabilities Arising from Financing Activities

	2017	2016
Current and long-term debt ⁽¹⁾ – beginning of the year	\$ 542,549	\$ 558,669
Gross proceeds from mortgage bonds and debentures	9,000	11,500
Redemption/repayment of mortgage bonds and debentures	(5,276)	(15,100)
Finance charges incurred	(647)	(836)
Periodic mortgage principal repayments	(10,416)	(10,185)
Mortgages repaid	(31,975)	(69,077)
Gross mortgage proceeds	36,933	67,106
Advances in notes payable	234	15
Non-cash changes in long term debt:		
Convertible debenture conversions	(13,667)	(1,935)
Mortgages assumed by the purchaser on sale of investment properties	(10,035)	-
Net change in fair value of Class B exchangeable LP	(970)	396
Net change in fair value of bond forward	-	236
Net change in fair value of convertible debentures	(339)	1,256
Exchanges of Class B exchangeable LP units	(232)	-
Amortization of finance charges	1,107	946
Net change in fair value of interest rate swap	(182)	(82)
Mark to market adjustments	(151)	(360)
Current and long-term debt ⁽¹⁾ - end of the year	\$ 515,933	\$ 542,549

⁽¹⁾ Long-term debt defined for this purpose as mortgage bonds, debentures, mortgages payable, notes payable and Class B exchangeable LP units.

24. Related Party Transactions

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, 2017	December 31, 2016
Edouard Babineau	\$ 150	\$ 150
Earl Brewer	425	125
Stephen Johnson	300	100
Michael Zakuta	100	100
Total	\$ 975	\$ 475

Other key management personnel own \$20 thousand in mortgage bonds of the Trust at December 31, 2017 (December 31, 2016 - \$20 thousand).

(b) 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.

	December 31, 2017	December 31, 2016
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and trustee of the Trust	\$ 261	\$ 261

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(c) Other Transactions with Related Parties

- (i) TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to the Trust 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.
- (ii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At December 31, 2017 there is nil owed by the Gateway Mall to some of the owners of the mall (December 31, 2016 - \$120 thousand with the pro rata amount owed being \$30 thousand). There is a \$7 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - \$5 thousand). For the twelve months ended December 31, 2017, property management and leasing fees of \$96 thousand were earned by a subsidiary of the Trust from this property (for the twelve months ended December 31, 2016 - \$76 thousand).
- (iii) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. For the twelve months ended December 31, 2017, property management, development and leasing fees of \$126 thousand were earned by a subsidiary of the Trust from this property (for the twelve months ended December 31, 2016 - \$112 thousand).
- (iv) The Montreal office of Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) shares office space with a company indirectly owned by Michael Zakuta in an office building owned by that related party. No basic minimum rent is payable for the space.
- (v) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At December 31, 2017 there is \$6.5 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2016 - \$5.1 million). As well, there is a \$64 thousand accounts receivable balance owing to the Trust for property management and development fees (December 31, 2016 - \$82 thousand). For the twelve months ended December 31, 2017, property management, leasing and development fees of \$393 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2016 - \$609 thousand).
- (vi) Edouard Babineau, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 10% interest in Shediak West Plaza, Shediak, NB. A subsidiary of the Trust manages the property. At December 31, 2017 there is a \$2 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - \$2 thousand). For the twelve months ended December 31, 2017, property management fees of \$34 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2016 - \$34 thousand).
- (vii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2017, property management fees of \$5 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2016 - \$5 thousand).
- (viii) Edouard Babineau, Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At December 31, 2017 there is a \$5 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - \$5). For the twelve months ended December 31, 2017, property management fees of \$65 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2016 - \$73 thousand).
- (ix) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard,

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Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2017, property management fees of \$29 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2016 - \$29 thousand).

- (x) Effective December 1, 2017, Edouard Babineau, Earl Brewer, and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At December 31, 2017 there is a \$13 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2016 - n/a). For the twelve months ended December 31, 2017, property management fees of \$13 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2016 - n/a).

(d) 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, 2017 and 2016 was as follows:

	2017	2016
Salaries and benefits	\$ 1,797	\$ 1,741
Share-based payments – including DUs and RSUs	133	121
Total key management personnel compensation	\$ 1,930	\$ 1,862

During the years ended December 31, 2017 and 2016 there were no amounts paid in post-employment benefits, long-term benefits or termination benefits.

(e) Significant Subsidiaries

	Ownership Interest	
	December 31, 2017	December 31, 2016
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 Group Management Limited	100%	100%
Stavanger Torbay Limited Partnership	90%	90%
Spring Park Plaza Inc.	100%	100%
Granville Street Properties Limited Partnership	90%	90%
Wildan Properties Limited Partnership	90%	90%
Exhibition Plaza Inc.	90%	90%
Scott's Real Estate Limited Partnership	100%	100%
Scott's Acquisition Inc.	100%	100%
Riverside Emerald (Timmins) Limited Partnership	80%	80%

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25. 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, 2017	December 31, 2016
Cash	\$ 6,065	\$ 2,496
Current assets	\$ 1,478	\$ 1,142
Long term assets	\$ 209,574	\$ 177,328
Current liabilities	\$ 9,032	\$ 15,528
Long term liabilities	\$ 107,223	\$ 80,515
Revenues	\$ 20,193	\$ 18,424
Expenses	\$ (12,549)	\$ (11,868)
Fair value gain (loss)	\$ 124	\$ 1,365

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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, 2017	December 31, 2016
Accounting Method – Proportionate Consolidation		
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%	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%
600 JP Perrault, QC	50%	50%
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%
Pleasant Street Plaza, NS	50%	100%
Starrs Road Plaza, NS	50%	100%
Welton Street Plaza, NS	50%	100%
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%
Park Street Plaza, ON	20%	20%
Mountainview Plaza, ON	20%	20%
Eastcourt, ON	50%	50%
Timiskaming, ON	50%	50%
KGH Plaza, NB	25%	25%
681 Mountain Road, NB	25%	25%
201 Main Street - Sussex, NB	25%	25%
Northumberland Plaza, NB	50%	50%
Boulevard Hebert Plaza, NB	50%	100%
Victoria Street Plaza, NB	50%	100%
Connell Road Plaza, NB	50%	100%
Madawaska Road Plaza, NB	50%	100%
Grand Falls Shopping Center, NB	50%	100%
The Village Shopping Centre, NL	50%	50%

26. Contingencies, Commitments, Guarantees and 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, 2017, there were no letters-of-credit issued and outstanding (December 31, 2016 – 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, 2016, there were no letters-of-credit issued and outstanding (December 31, 2016 – nil).

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The \$44.0 million operating line of credit has \$2.0 million available for use in the form of letters-of-credit. At December 31, 2017, letters-of-credit in the amount of \$750 thousand were issued and outstanding (December 31, 2016 - \$1.0 million).

The \$3.0 million secured non-revolving construction credit facility has \$100 thousand available for use in the form of letters-of-credit, at the Trust's 20% ownership percentage. At December 31, 2017, there were no letters-of-credit issued and outstanding (December 31, 2016 - nil).

(b) Commitments

The Trust's estimated commitments at December 31, 2017 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2018	Year 2 2019	Year 3 2020	Year 4 2021	Year 5 2022	After 5 Years	Face Value Total
Mortgages – periodic payments	\$ 10,483	\$ 9,853	\$ 9,158	\$ 7,661	\$ 7,374	\$ 26,848	\$ 71,377
Mortgages – due at maturity	12,435	52,348	64,419	28,646	26,847	177,923	362,618
Development lines of credit	7,302	-	-	-	-	-	7,302
Construction loans	3,480	1,950	-	-	-	-	5,430
Bank indebtedness	29,538	-	-	-	-	-	29,538
Mortgage bonds payable	-	6,000	6,000	-	3,000	-	15,000
Debentures ⁽¹⁾	38,000	-	-	5,500	6,000	-	49,500
Operating land leases ⁽²⁾	3,236	3,272	3,316	3,337	3,327	127,929	144,417
Development activities	8,762	-	-	-	-	-	8,762
Total contractual obligations	\$ 113,236	\$ 73,423	\$ 82,893	\$ 45,144	\$ 46,548	\$ 332,700	\$ 693,944

⁽¹⁾ Stated at face value.

⁽²⁾ Operating land leases expire on dates ranging from 2018 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, 2017 a \$5.3 million commitment (December 31, 2016 - \$5.5 million) relating to the mortgages on three assets in which the Trust sold a 75% interest in January 2009 is subject to such guarantees by the Trust. These mortgages have a weighted average remaining term of 5.1 years (December 31, 2016 - 6.1 years). As well, at December 31, 2017 a \$10.0 million commitment (December 31, 2016 - n/a) relating to the mortgages on eight assets in which the Trust sold a 50% interest in November 2017 is subject to such guarantees by the Trust. These mortgages have a weighted average remaining term of 6.0 years (December 31, 2016 - n/a).

The Trust is contingently liable for certain obligations of its co-venturers. The guarantee provided to the mortgagee of a free-standing property located in Granby, QC is subject to a cross-guarantee provided by the other co-owners for the full amount of the loan. At December 31, 2017 the Trust's total exposure on the cross-guarantee is \$540 thousand (December 31, 2016 - \$554 thousand). As well, the Trust has guarantees in excess of its ownership percentages for six strip plazas and three free-standing properties. The excess guarantees amount to \$18.7 million (December 31, 2016 - \$18.4 million on nine properties).

(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.

(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, 2017 (December 31, 2016 - nil).

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27. 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 actions 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 for those properties 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 minimizes its exposure to short term interest rate risk by obtaining longer term financing as much as possible (10 years or longer). The Trust matches as closely as possible the debt term on a particular asset with its average lease term so that any interest rate increases could be offset by increases in rental rates.

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. The swaps mature on July 31, 2020. 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 \$118 thousand at December 31, 2017 (December 31, 2016 – \$257 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. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

As part of a property acquisition in 2015, the Trust assumed a variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate). The interest rate swap matures on August 13, 2023. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

In July 2015, the Trust entered into an interest rate hedge in the form of a bond forward, with a Canadian chartered bank, in anticipation of long-term financing on two development properties once completed in order to hedge the 10-year Government of Canada bond rate. The hedge was for a notional amount of \$6.0 million and was for a twelve month period, with a settlement date of July 29, 2016. The all-in hedged rate was 1.715%. The bond forward did not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) were recognized in profit and loss in each reporting period. On July 29, 2016, the bond forward matured and \$368 thousand was paid based on the applicable Government of Canada bond rate on the maturity date.

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, 2017 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by \$423 thousand (for the year ended December 31, 2016 – \$225 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 \$600 thousand to \$1.0 million 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

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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 comprise 94.3% of the in-place tenant base (December 31, 2016 – 94.7%). 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.

The Trust generally provides financial guarantees and advances only to wholly-owned subsidiaries, non-consolidated investments and joint arrangement partners during the development periods, subject to reciprocal indemnities, by utilizing established development lines of credit. Repayment of the advances occurs upon placing permanent financing on the related property or through cash flows generated by the related property upon completion of the development. Where lenders of first mortgages on joint arrangement properties require financial guarantees from the Trust, reciprocal indemnities are generally 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 26(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, 2017	December 31, 2016
Held-to-maturity investments	\$ 99	\$ 99
Tenant loans, receivables, and notes and advances receivable	15,330	15,435
Cash	6,250	5,182
Total	\$ 21,679	\$ 20,716

The Trust's most significant customer, a national retailer, accounts for \$183 thousand of tenant loans at December 31, 2017 (December 31, 2016- \$232 thousand).

Shoppers Drug Mart represents 25.7% of monthly base rents in place at December 31, 2017, while franchisees of KFC represent 8.5% of monthly base rents in place. The top 10 tenants collectively represent approximately 56.9% 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 and operating 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.

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

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Current liabilities ⁽¹⁾	\$ 15,222	\$ 15,222	\$ 15,222	\$ -	\$ -	\$ -	\$ -	\$ -
Debentures payable	\$ 49,773	\$ 53,798	\$ 40,591	\$ 603	\$ 603	\$ 5,951	\$ 6,050	\$ -
Notes payable	\$ 1,424	\$ 1,424	\$ 1,424	\$ -	\$ -	\$ -	\$ -	\$ -
Bank indebtedness	\$ 29,538	\$ 30,262	\$ 30,262	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage bonds payable	\$ 14,764	\$ 16,963	\$ 765	\$ 6,615	\$ 6,315	\$ 165	\$ 3,103	\$ -
Mortgages payable	\$444,579	\$554,854	\$ 52,605	\$ 79,029	\$90,238	\$47,723	\$44,463	\$240,796

⁽¹⁾ Balance includes accounts payable, accrued liabilities, tenant payables and tenant deposits.

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

(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 1.60% to 2.30% (December 31, 2016 – 1.95% to 2.65%). The rate used to determine the fair value of mortgage bonds was 5.5% (December 31, 2016 – 4.50% to 5.00%). The rate used to determine the fair value of non-convertible debentures was 5.00% (December 31, 2016 – 5.00%). The majority of the Trust's convertible debentures are publicly traded. The fair value of the Class B exchangeable LP units is based on the trading price for the Trust's units.

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

	Book Value December 31, 2017	Fair Value December 31, 2017	Book Value December 31, 2016	Fair Value December 31, 2016
Cash	\$ 6,250	\$ 6,250	\$ 5,182	\$ 5,182
Receivables	4,480	4,480	3,542	3,542
Notes and advances receivable	9,999	9,999	10,578	10,578
Held-to-maturity investments	99	99	99	99
Tenant loans	851	851	1,315	1,315
Total Financial Assets	\$ 21,679	\$ 21,679	\$ 20,716	\$ 20,716
Bank indebtedness	\$ 29,538	\$ 29,538	\$ 12,562	\$ 12,562
Accounts payable, accrued liabilities, tenant payables and tenant deposits	15,222	15,222	15,821	15,821
Total net fixed rate mortgage loans	431,962	448,785	449,979	468,978
Total net variable rate mortgage loans or credit facilities	12,617	12,617	9,865	9,865
Convertible debentures	39,890	39,890	56,172	56,172
Non-convertible debentures	9,883	9,883	4,000	4,000
Mortgage bonds payable	14,764	14,645	14,748	14,766
Class B exchangeable LP units	5,393	5,393	6,595	6,595
Notes payable	1,424	1,424	1,190	1,190
Total Financial Liabilities	\$ 560,693	\$ 577,397	\$ 570,932	\$ 589,949

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

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.

The following table provides information on financial assets and liabilities measured at fair value.

	December 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 959,618	\$ -	\$ -	\$ 959,889
Investment properties held for sale	-	-	-	-	-	92
	\$ -	\$ -	\$ 959,618	\$ -	\$ -	\$ 959,981
Class B exchangeable LP units	\$ 5,393	\$ -	\$ -	\$ 6,595	\$ -	\$ -
Series B, C and D convertible debentures	34,336	-	-	50,589	-	-
Series VII convertible debentures	-	5,554	-	-	5,583	-
	\$ 39,729	\$ 5,554	\$ -	\$ 57,184	\$ 5,583	\$ -

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 (see Note 4 for a more detailed description of the Trust's valuation approach). The significant unobservable inputs include normalized net operating income, which is supported by the terms of existing leases in place and current market rents to renew or lease up vacant or expiring space, adjusted for estimated or normalized vacancy rates based on market conditions and factoring in expected maintenance costs.

28. 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 and unitholders' equity.

Bank operating 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 coverage ratios in excess of 1.5 times with the debt coverage ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. The bank operating line also requires on pledged assets: 90% occupancy; 65% loan to value; and interest coverage constraints of 1.60. 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 has a \$3.0 million construction credit facility which requires maintenance of at least \$200 million of unitholders' equity, maximum leverage of 65% including convertible debentures and debt coverage ratios in excess of 1.3 times. The Trust is in compliance with all financial debt covenants at December 31, 2017.

There were no changes to the Trust's approach to capital management for the year ended December 31, 2017.

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The calculation of the total capital is summarized as follows:

	December 31, 2017	December 31, 2016
Total net fixed rate mortgage loans	\$ 431,962	\$ 449,979
Total net variable rate mortgage loans	12,617	9,865
Mortgage bonds payable	14,764	14,748
Debentures payable	49,773	60,172
Bank indebtedness	29,538	12,562
Notes payable	1,424	1,190
	540,078	548,516
Unitholders' equity	463,095	451,743
Total	\$ 1,003,173	\$ 1,000,259

29. Subsequent Events

Financings

In January 2018, the Trust closed on a short-term bridge financing related to a property acquisition in the amount of \$3.0 million at 6.0% for 6 months.

Subsequent to year end, the Trust closed on a loan in the amount of \$5.6 million for 5 years at an interest-only rate of 5.0%.

On February 21, 2018, the Trust completed a public offering of \$45 million aggregate principal amount of 5.10% convertible unsecured subordinated debentures due March 31, 2023. The debentures are convertible at the option of the holder, into units of the Trust at \$5.65 per unit. In addition, the underwriters were granted an over-allotment option, exercisable in whole or in part up to 30 days after closing, to purchase up to an additional \$2.25 million debentures. The option was exercised on closing of the offering on February 21, 2018. Proceeds from the offering will be used to redeem the \$34 million 5.75% Series D convertible unsecured subordinated debentures, which had a par call date of December 31, 2017, with the remainder of the proceeds to repay amounts outstanding on the Trust's operating line of credit, to fund future and on-going development and redevelopment activities and for general trust purposes. The Trust gave notice to the Series D debenture holders on February 21, 2018 and redemption of those debentures is set to close on March 27, 2018.

Investment properties

In January 2018, the Trust acquired a property for redevelopment in Brockville, ON for \$14.0 million. The Trust satisfied the purchase price through \$4.9 million in cash and a new \$9.1 million borrowing facility at a cost of prime plus 1.25%. Development/construction expenses will be financed through the expansion of this facility.

Subsequent to year end the Trust purchased lands in Oshawa, ON for \$2.5 million.

Subsequent to year end conditions were waived by the purchaser to buy land and building in Perth, ON and Ottawa, ON from the Trust for net proceeds of \$0.6 million. The sale by the Trust is set to close on February 28, 2018.

Investments

In January 2018, the Trust increased its interest in the Northwest Centre, Moncton, NB and Shediak West Plaza, Shediak, NB, from 10% to 50%, with a Canadian pension fund buying the other 50% interest on a co-ownership basis. Both properties were previously co-owned with the Trust through two retail syndications. The Trust's incremental gross investment is approximately \$17.0 million, and its incremental net investment is approximately \$5.6 million. The previous syndications for these two properties, whose interests were bought out as a result of these transactions, included certain related parties of the Trust – namely; Earl Brewer, Michael Zakuta, Edouard Babineau and Denis Losier. A Special Committee of Independent Trustees of the Trust was formed to review and approve the related party transactions.

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Distributions and Distribution Reinvestment Plan

The Trust paid a cash distribution of \$0.0225 per unit for a total of \$1.8 million on January 15, 2018 and 113 thousand units were issued at a purchase price of \$4.17 per unit for a total of \$469 thousand under the Distribution Reinvestment Plan.

The Trust paid a cash distribution of \$0.0233 per unit for a total of \$1.9 million on February 15, 2018 and 125 thousand units were issued at a purchase price of \$3.91 per unit for a total of \$489 thousand under the Distribution Reinvestment Plan.

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