plaza REIT

ANNUAL REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS (AUDITED IN CANADIAN DOLLARS)

FOR THE YEARS ENDING DECEMBER 31, 2019 & 2018

DATED: FEBRUARY 25, 2020

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PRESIDENT'S MESSAGE

Fellow Unitholders:

We produced solid financial results for the year ended December 31, 2019, driven by accretive growth without diluting unitholders. The results were generated through improved operating metrics, new development and redevelopment projects across our geography.

During 2019, Plaza:

- realized outstanding returns from new development and redevelopment projects. We anticipate that this growth will continue into 2020 and beyond;
- recycled capital by selling non-core assets. The proceeds provided funding for higher-yielding projects;
- acquired low cost capital to fund developments and redevelopments by placing a record amount of long-term mortgage financing at historically low interest rates;
- continued to maintain long-term loan maturities at progressively lower interest rates;
- materially lowered its pay-out ratio as a result of FFO & AFFO growth;
- continued to initiate joint venture projects with capital partners in order to preserve capital; and
- launched a normal course issuer bid and repurchased 722,000 units.

Plaza's pipeline remains strong - we foresee additional growth and opportunity for both redevelopments and new development projects. Plaza possesses strong leasing and development infrastructure that enables us to meet the needs of tenants.

Plaza's core product of strip centres and single use retail perform very well, with high occupancy levels. Our tenant lineup is dominated by national tenants comprised of value, specialty and necessity-based retailers that require a physical presence.

We are making a concentrated effort to extract more value from our existing portfolio and our current development projects through the sale or development of excess land.

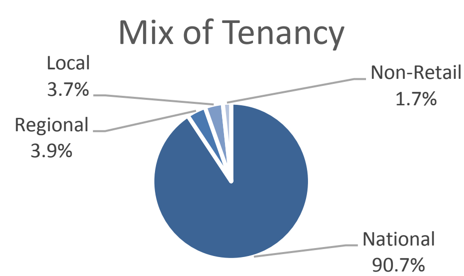
Plaza has the necessary capital to take advantage of acquisition and development opportunities. Our capital recycling and financing programs have allowed Plaza to fund its growth without dilution to unitholders. We are confident that we will continue to grow cash flow and net asset value across our geography as we develop and redevelop high quality and necessity-based retail projects.

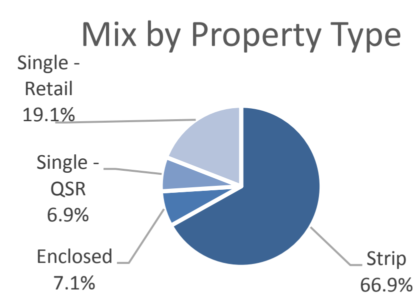
Thank you for your continued support and confidence in Plaza.

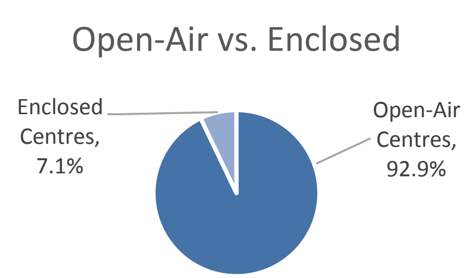
Sincerely,

Michael Zakuta
President and CEO

Based on Base Rents







PART I

BASIS OF PRESENTATION

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to February 25, 2020. 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 Board of Trustees (the "Board").

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 years ended December 31, 2019 and 2018, along with the MD&A of the Trust for the year ended December 31, 2018, 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 in this MD&A contains forward-looking statements, based on the Trust's estimates and assumptions, which are subject to numerous known and unknown risks and uncertainties, including those described under the heading "Risks and Uncertainties" in this MD&A. This may cause the actual results, performance and achievements of the Trust to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Without limiting the foregoing, the words "believe", "expect", "continue", "anticipate", "could", "may", "intend", "will", "estimate", "planning" or "planned" and 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, leasing expectations, financing and the availability of financing sources. Factors that could cause actual results, performance or achievements to differ from those expressed or implied by 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 or re-lease space at current or anticipated rents; changes in interest rates; changes in operating costs; the availability of development and redevelopment opportunities for growth; tenant insolvencies or bankruptcies; 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, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of February 25, 2020 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except as required by applicable law.

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. ("Plazacorp"), which began operations in 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 Ontario, Quebec and Atlantic Canada. Plaza offers a unique business strategy that differs from many of its peers in the real estate industry.

- Plaza has a 20 year history of accretive growth and value creation;
- Plaza has strong relationships with leading retailers;

- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed retail real estate throughout Canada;
- Plaza has a competitive advantage as a developer in Atlantic Canada and Quebec;
- 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, thereby 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, unitholder value.

Summary of Properties

The Trust's portfolio at December 31, 2019 includes interests in 274 properties totaling approximately 8.4 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, 2019[1]	**Gross Leasable Area (sq. ft.) December 31, 2019[1] [2]**	Number of Properties December 31, 2018[1]	Gross Leasable Area (sq. ft.) December 31, 2018[1] [2]
Alberta	**2**	**34,238**	**2**	**34,238**
Manitoba	**1**	**17,018**	**6**	**30,424**
Newfoundland and Labrador	**12**	**793,854**	**12**	**682,044**
New Brunswick	**52**	**1,943,764**	**52**	**1,938,349**
Nova Scotia	**33**	**1,161,369**	**35**	**1,151,286**
Ontario	**68**	**1,690,869**	**71**	**1,571,739**
Prince Edward Island	**11**	**596,035**	**11**	**595,683**
Quebec	**95**	**2,146,617**	**98**	**2,149,359**
Total	**274**	**8,383,764**	**287**	**8,153,122**

(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 marketplace. 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 and is more e-commerce resilient. 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 through 2020.

Open-air centre 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 and redevelopments.

Government of Canada bond rates have decreased over the last year due to economic uncertainties in Canada and abroad. As a result, it is still a very low interest rate environment, and long-term debt financing continues to be readily available from lenders at competitive fixed rates. Plaza will continue to underwrite its development and redevelopment projects to build in appropriate anticipated fixed rate debt financing. Plaza has and will continue to refinance mortgages early where possible and feasible to take advantage of current rates.

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. Projects on 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 indicated:

Properties under development/redevelopment	Square Footage[(1)]	Ownership	Occupied or Committed at December 31, 2019[(4)]	Anticipated Completion Date
In Planning/In Development:				
Open-Air Centre:				
Plaza de L'Ouest, Sherbrooke, QC – Phase III	20,000	50%	n/a	1-2 years
Fairville Boulevard, Saint John, NB – Phase III.2	8,000	100%	24%	1-2 years
St. Jerome, St. Jerome (Montreal), QC -Phase III.2[(2)]	70,000	20%	n/a	1-2 years
100 Saint-Jude Nord, Granby, QC – Phase II[(2)]	52,000	10%	n/a	2-3 years
The Shoppes at Galway, St. John's, NL – Phase I.4[(2)]	100,000	50%	n/a	1-2 years
The Shoppes at Galway, St. John's, NL – Phase II[(2)]	100,000	50%	n/a	2-3 years
The Shoppes at Galway, St. John's, NL – Phase III[(2)]	85,000	50%	n/a	2-3 years
Rideau Plaza, Smiths Falls, ON	18,640	75%	n/a	1-2 years
Taunton Rd., Oshawa, ON	40,000	50%	n/a	Q1 2021
Tri-City Center, Cambridge, ON	229,000	50%	90%	2-3 years
Single Use:				
464 Dundas St., Belleville, ON[(3)]	2,500	100%	100%	Q4 2020
1726 Huron Church Rd, Windsor, ON[(3)]	14,069	100%	n/a	1-2 years
Beaubien St., Montreal, QC	10,000	100%	n/a	Q2 2021
Expansion:				
Champlain St. Plaza, Dieppe (Moncton), NB–Phase II.2	10,000	100%	n/a	1-2 years
Pleasant Street, Yarmouth, NS	1,000	50%	n/a	1-2 years
Mountainview Plaza, Midland, ON	4,000	20%	n/a	Q4 2020
Powell Drive, Carbonear, NL	2,000	100%	n/a	Q4 2020
Queens Place Drive Plaza, Liverpool, NS	3,500	100%	n/a	1-2 years
SP Magog, Magog, QC	1,740	50%	100%	Q2 2021
Granite Drive, New Minas, NS	10,000	100%	n/a	1-2 years
In Construction:				
Enclosed Mall to Open-Air Centre:				
Timiskaming Plaza, New Liskeard, ON	101,595	50%	61%	1-2 years
Open-Air Centre:				
1324 Blvd Talbot, Saguenay (Chicoutimi), QC	103,956	50%	91%	Q1 2020
The Shoppes at Galway, St. John's, NL – Phase I.2[(2)]	33,537	50%	100%	Q2 2020
The Shoppes at Galway, St. John's, NL – Phase I.3[(2)]	32,500	50%	100%	Q3 2020
Carson & Mapleton, Moncton, NB	5,400	100%	100%	Q1 2020
Expansion:				
Silver Fox Plaza, New Minas, NS	12,560	100%	100%	Q4 2020
Fairville Boulevard, Saint John, NB – Phase III.1	2,380	100%	100%	Q4 2020
9025 Torbram Rd, Brampton, ON[(3)]	34,272	100%	99%	Q1 2020
Total	**1,107,649**			

(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 26 thousand additional square feet of gross leasable area.

At December 31, 2019, there are four land assemblies under purchase agreement and subject to due diligence or other conditions. These land purchases, if executed, will represent an additional 276 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 $59 million has already been spent (all figures represent 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 $10 million and $11 million. The majority of unspent amounts for Plaza's development projects are funded by Plaza's existing development facilities or construction loans.

Acquisitions/Dispositions

During the year ended December 31, 2019, the Trust acquired and disposed of the following properties:

Property Acquired	% Acquired	Year ending December 31, 2019[(1)]
Tri-City Centre, Cambridge, ON	**50%**	**$ 12,650**

(1) Including closing costs

Properties Disposed	% Disposed	Net Proceeds Year Ending December 31, 2019
Quispamsis Town Centre, Quispamsis, NB[(1)]	**50%**	**$ 2,245**
Quick Service Restaurants and Single Tenant Assets – Coldbrook, NS, Halifax, NS, London, ON, Ottawa, ON, Paris, ON, Laval, QC, Longueiul QC, and Montreal, QC	**100%**	**6,645**
Winnipeg, MB portfolio – five properties	**100%**	**6,900**
Land – Sherbrooke, QC	**50%**	**475**
Total disposals		**$ 16,265**

(1) The Trust sold a 50% co-ownership interest in a property located in Quispamsis, NB for net proceeds of $6.4 million, $2.2 million after assumption of notes and advances and receivables for the purchaser's 50% interest of the existing line of credit on the property.

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

(000s, except as otherwise noted)	**12 Months Ended December 31, 2019 (unaudited)**	12 Months Ended December 31, 2018 (unaudited)	12 Months Ended December 31, 2017 (unaudited)
Financial Amounts			
Property rental revenue	**$ 112,461**	$ 104,017	$ 102,887
Total revenue	**$ 118,471**	$ 105,436	$ 105,963
NOI[(1)]	**$ 72,727**	$ 63,924	$ 64,358
Same-asset NOI[(1)]	**$ 62,839**	$ 62,728	N/A[(3)]
FFO[(1)]	**$ 41,006**	$ 34,264	$ 35,596
AFFO[(1)]	**$ 36,466**	$ 30,304	$ 32,996
EBITDA[(1)]	**$ 70,487**	$ 59,996	$ 60,016
Profit and total comprehensive income	**$ 51,337**	$ 12,212	$ 23,447
Total assets	**$ 1,161,968**	$ 1,061,066	$ 1,031,335
Total non-current liabilities	**$ 553,175**	$ 480,295	$ 450,020
Total mortgages, mortgage bonds, notes payable, bank credit facilities, and land lease liabilities	**$ 591,992**	$ 520,146	$ 490,305
Total debentures	**$ 64,190**	$ 59,835	$ 49,773
Weighted average units outstanding [(2)]	**103,685**	103,490	102,385
Normal course issuer bid – units repurchased	**722**	-	-
Amounts on a Per Unit Basis			
FFO[(1)]	**$ 0.395**	$ 0.331	$ 0.348
AFFO[(1)]	**$ 0.352**	$ 0.293	$ 0.322
Distributions	**$ 0.280**	$ 0.280	$ 0.270
Financial Ratios			
Weighted average interest rate – fixed rate mortgages	**4.26%**	4.41%	4.39%
Debt to gross assets (excluding convertible debentures)[(5)]	**51.8%**	49.7%	48.4%
Debt to gross assets (including convertible debentures)[(5)]	**56.3%**	54.7%	52.2%
Interest coverage ratio[(1)]	**2.41x**	2.27x	2.36x
Debt coverage ratio[(1)]	**1.73x**	1.62x	1.68x
Distributions as a % of FFO	**70.8%**	84.6%	77.7%
Distributions as a % of AFFO	**79.6%**	95.7%	83.9%
Leasing Information			
Square footage leased during the period (total portfolio)	**1,202,232**	1,283,055	1,111,025
Committed occupancy[(4)]	**96.3%**	96.2%	95.2%
Same-asset committed occupancy[(4)]	**96.1%**	96.0%	95.4%
Mix of Tenancy Based on Base Rents[(4)]			
National	**90.7%**	91.1%	91.4%
Regional	**3.9%**	3.4%	3.5%
Local	**3.7%**	3.7%	3.4%
Non retail	**1.7%**	1.8%	1.7%
Other			
Average term to maturity - mortgages	**5.9 Years**	5.5 Years	6.0 Years
Average term to maturity - leases[(4)]	**6.2 Years**	5.7 Years	5.8 Years
IFRS capitalization rate	**7.07%**	7.25%	7.02%

Property Type Breakdown	**Number of Properties December 31, 2019**	**Square Footage (000s)**	Number of Properties December 31, 2018	Square Footage (000s)
Open-Air Centres	**114**	6,266	110	5,711
Enclosed	**3**	713	4	993
Single Use – Quick Service Restaurant	**88**	237	102	272
Single Use – Retail	**69**	1,168	71	1,177
Total	**274**	8,384	287	8,153

(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, 2018.
(4) Excludes properties under development and non-consolidated investments.
(5) As of January 1, 2019, ratios include land lease liability and right-of-use land lease asset, prior year comparatives have not been restated.

PART II

STRATEGY

Plaza's principal goal is to deliver growth in per-unit net asset value ("NAV") and FFO from a diversified portfolio of retail properties. To achieve this goal, the Board has set development criteria of a minimum unlevered cash 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:

- acquire or develop properties at a cost that is consistent with the Trust's targeted return on investment;
- maintain high occupancy rates on existing properties while sourcing tenants for properties under development and future acquisitions;
- maintain access to cost effective sources of debt and equity capital to finance acquisitions and new developments; 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 retailer clients or in response to demand;
- well located properties where Plaza can add value through efficiencies, density/development or redevelopment; 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;
- raising capital when 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 or non-core 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;
- distributions as a percentage of FFO and AFFO; 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 growth in per-unit NAV and FFO. The following chart discusses the key performance indicators for the twelve months ended December 31, 2019 compared to the twelve months ended December 31, 2018.

FFO[1]

	YTD Q4 2019	YTD Q4 2018	% Change
FFO	**$41,006**	$34,264	19.7%
FFO per unit	**$0.395**	$0.331	19.3%
Distributions as a % of FFO	**70.8%**	84.6%	(16.3%)

- ➢ The increase in FFO and FFO per unit was mainly due to the impact of lease buyout revenues recorded from two significant lease buyout transactions along with growth in NOI from developments/redevelopments and acquisitions.
- ➢ Excluding the effect of the lease buyouts and other similar items from the current and prior year, FFO would have been 7.9% higher than the prior year. On a per unit basis, FFO would have been 7.8% higher than the prior year. Notwithstanding a decrease in NOI of $1.1 million due to property sales, NOI grew by $815 thousand from developments/redevelopments and acquisitions.

AFFO[1]

	YTD Q4 2019	YTD Q4 2018	% Change
AFFO	**$36,466**	$30,304	20.3%
AFFO per unit	**$0.352**	$0.293	20.1%
Distributions as a % of AFFO	**79.6%**	95.7%	(16.8%)

- ➢ The principal factors influencing AFFO are consistent with those impacting FFO, partly offset by higher leasing costs compared with the prior year.
- ➢ Excluding the effect of the lease buyouts and other similar items from the current and prior year, AFFO would have been 7.0% higher than the prior year and on a per unit basis would have been 6.8% higher than the prior year.

Debt Service Ratios[1]

	YTD Q4 2019	YTD Q4 2018	% Change
Interest coverage ratio	**2.41x**	2.27x	6.2%
Debt coverage ratio	**1.73x**	1.62x	6.8%

- ➢ The interest and debt coverage ratios were higher than the prior year mainly due to the $6.0 million in lease buyout revenues recorded. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

Debt to Gross Assets

	Q4 2019	Q4 2018	% Change
Debt to gross assets (excluding convertible debentures)	**51.8%**	49.7%	4.2%
Debt to gross assets (including convertible debentures)	**56.3%**	54.7%	2.9%

- ➢ The increase in debt to gross assets over the prior year relates to the new accounting standards on leases implemented on January 1, 2019 requiring Plaza to record a land lease liability and right of use land lease asset on its books. Excluding the effect of the land leases, debt to gross assets (excluding convertible debentures) would have been 49.1% and debt to gross assets (including convertible debentures) would have been 53.9%.

Same-Asset NOI[1]

	YTD Q4 2019	YTD Q4 2018	% Change
Same-asset NOI	**$62,839**	$62,728	0.2%

- ➢ Same-asset NOI is slightly higher than the prior year.
- ➢ Excluding the effect of the lost NOI due to lease buyouts, same-asset NOI would have been 1.8% higher than the prior year.

Weighted Average Interest Rate – Fixed Rate Mortgages

	Q4 2019	Q4 2018	% Change
Weighted average interest rate – fixed rate mortgages	**4.26%**	4.41%	(3.4%)

- ➢ Plaza continues to finance at low rates.

Occupancy Levels

	Q4 2019	Q4 2018	% Change
Committed occupancy	**96.3%**	96.2%	0.1%
Same-asset committed occupancy	**96.1%**	96.0%	0.1%

(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 2019 AND 2018

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, 2019, compared to the three and twelve months ended December 31, 2018 is presented below:

(000s – except per unit amounts and percentage data)	**3 Months Ended December 31, 2019 (unaudited)**	3 Months Ended December 31, 2018 (unaudited)	**12 Months Ended December 31, 2019 (unaudited)**	12 Months Ended December 31, 2018 (unaudited)
Profit and total comprehensive income for the period attributable to unitholders	**$ 8,256**	$ 1,055	**$ 51,407**	$ 12,063
Add (deduct):				
Incremental leasing costs included in administrative expenses	**353**	296	**1,505**	1,646
Debenture issuance costs, net of amortization	**(103)**	(101)	**(411)**	1,939
Distributions on Class B exchangeable LP units included in finance costs	**84**	85	**334**	351
Deferred income taxes	**(332)**	(627)	**266**	(410)
Principal repayments of land lease liabilities	**(169)**	-	**(663)**	-
Fair value adjustment to restricted units	**12**	(28)	**53**	(30)
Fair value adjustment to investment properties	**1,010**	9,865	**(18,748)**	18,405
Fair value adjustment to investments	**1,761**	1,209	**1,665**	4,119
Fair value adjustment to Class B exchangeable LP units	**143**	(381)	**822**	(457)
Fair value adjustment to convertible debentures	**(185)**	(3,159)	**4,294**	(3,022)
Fair value adjustment to interest rate swaps	**(1,380)**	50	**392**	(39)
Fair value adjustment to right-of-use land lease assets	**169**	-	**663**	-
Equity accounting adjustment	**(57)**	9	**(63)**	(49)
Non-controlling interest adjustment	**(358)**	(91)	**(510)**	(252)
Basic FFO	**$ 9,204**	$ 8,182	**$ 41,006**	$ 34,264
Add (deduct):				
Non-cash revenue – straight-line rent[4]	**(84)**	49	**(78)**	228
Leasing costs – existing properties[1] [4]	**(811)**	(730)	**(3,325)**	(3,373)
Maintenance capital expenditures – existing properties[1] [4]	**(153)**	(75)	**(1,295)**	(869)
Non-controlling interest adjustment	**30**	40	**158**	54
Basic AFFO	**$ 8,186**	$ 7,466	**$ 36,466**	$ 30,304
Basic weighted average units outstanding [2]	**103,384**	103,966	**103,685**	103,490
Basic FFO per unit	**$ 0.089**	$ 0.079	**$ 0.395**	$ 0.331
Basic AFFO per unit	**$ 0.079**	$ 0.072	**$ 0.352**	$ 0.293
Gross distributions to unitholders [3]	**$ 7,235**	$ 7,281	**$ 29,020**	$ 28,997
Distributions as a percentage of basic FFO	**78.6%**	89.0%	**70.8%**	84.6%
Distributions as a percentage of basic AFFO	**88.4%**	97.5%	**79.6%**	95.7%
Basic FFO	**$ 9,204**	$ 8,182	**$ 41,006**	$ 34,264
Interest on dilutive convertible debentures	**684**	607	**2,705**	2,410
Diluted FFO	**$ 9,888**	$ 8,789	**$ 43,711**	$ 36,674
Diluted weighted average units outstanding [2]	**112,657**	112,329	**112,958**	111,853
Basic AFFO	**$ 8,186**	$ 7,466	**$ 36,466**	$ 30,304
Interest on dilutive convertible debentures	**607**	-	**2,705**	2,410
Diluted AFFO	**$ 8,793**	$ 7,466	**$ 39,171**	$ 32,714
Diluted weighted average units outstanding [2]	**112,746**	103,966	**112,958**	111,853
Diluted FFO per unit	**$ 0.088**	$0.078	**$ 0.387**	$ 0.328
Diluted AFFO per unit	**$ 0.078**	$0.072	**$ 0.347**	$ 0.292

(1) Based on actuals.
(2) Includes Class B exchangeable LP units.
(3) Includes distributions on Class B exchangeable LP units.
(4) Includes proportionate share of expenditures at equity-accounted investments.

Basic FFO for the three months ended December 31, 2019 increased by $1.0 million or 12.5% over the prior year and basic FFO per unit for the three months ended December 31, 2019 was 12.7% higher compared to the prior year.

Items impacting FFO were:

(i) lease buyout revenues recorded of $350 thousand;
(ii) a decrease in NOI of $175 thousand from property sales;
(iii) an increase in same-asset NOI due to new leasing, offset by the impact of the vacancies from lease buyouts during 2019, which negatively affected same-asset NOI by $337 thousand for the quarter;
(iv) an increase in other income of $381 thousand in development and leasing fees earned from co-owned properties; and
(v) an increase in share of profit of associates of $282 thousand, excluding the fair value adjustment, mainly due to an increase in NOI from continued development at The Shoppes at Galway, St. John's, NL.

For the three months ended December 31, 2019, AFFO increased by $720 thousand, or 9.6% over the prior year and AFFO per unit increased 9.7% over the prior year. The increase in AFFO was mainly due to the changes in FFO and FFO per unit described above, as well as, higher leasing costs in the current quarter compared to the same period in the prior year.

Excluding the impact of the lease buyouts, the additional professional fees and retiring allowance incurred and any loan defeasance and early mortgage discharge fees from the current and prior year, FFO and FFO per unit would have been 14.1% and 14.7%, respectively, higher than the prior year. AFFO adjusted for the same items would have been 11.4% higher than the prior year and AFFO per unit would have been 12.0% higher.

Basic FFO for the twelve months ended December 31, 2019 increased by $6.7 million, or 19.7% over the prior year. Basic FFO per unit for the twelve months ended December 31, 2019 was 19.3% higher than the prior year.

Items impacting FFO was:

(i) growth in NOI of $815 thousand from developments/redevelopments/acquisitions;
(ii) lease buyout revenues recorded of $6.0 million, primarily from two significant lease buyout transactions;
(iii) a decrease in NOI of $1.1 million from property sales;
(iv) the impact of the vacancies from lease buyout transactions, which negatively affected same-asset NOI by $1.0 million;
(v) an increase in other income of $1.6 million mainly due to an increase in development and leasing fees earned from co-owned properties; and
(vi) an increase in administrative expenses of $518 thousand mainly as a result of additional professional fees and retiring allowance.

For the twelve months ended December 31, 2019, AFFO increased by $6.2 million, or 20.3% over the prior year and AFFO per unit increased by 20.1% over the prior year. The increase in AFFO and AFFO per unit was mainly due to the increase in FFO and FFO per unit described above, partly offset by higher maintenance capital expenditures compared to the prior year.

Excluding the impact of the lease buyouts, the additional professional fees and retiring allowance incurred and any loan defeasance and early mortgage discharge fees from the current and prior year, FFO and FFO per unit would have been 7.9% and 7.8%, respectively, higher than the prior year. AFFO adjusted for the same items would have been 7.0% higher than the prior year and AFFO per unit would have been 6.8% higher.

Profit and Total Comprehensive Income for the Period

The Trust recorded a profit for the three months ended December 31, 2019 of $8.0 million compared to $1.1 million for the same period in the prior year. The increase was mainly due to a decrease in the fair value of investment properties of $1.0 million as compared to a fair value decrease of $9.9 million in the prior year. The fair value increase year over year was mainly due to a decrease in capitalization rates. Profit was also impacted by the same factors mentioned in the discussion of FFO above, as well as:

(i) a net gain of $185 thousand compared to a net gain of $3.2 million in the prior year, relating to the non-cash fair value adjustment to convertible debentures; and
(ii) a net loss of $143 thousand compared to a net gain of $381 thousand in the prior year, relating to the non-cash fair value adjustment relating to the Class B exchangeable LP units.

The Trust recorded a profit for the twelve months ended December 31, 2019 of $51.3 million compared to $12.2 million for the same period in the prior year. The increase was mainly due to an increase in the fair value of investment properties of $18.7 million as compared to a fair value decrease of $18.4 million in the prior year. The fair value increase was mainly due to the decrease in capitalization rates, largely stemming from higher values on a number of appraisals received on properties during the year. Profit was also impacted by the same factors mentioned in the discussion of FFO above, as well as:

(i) an increase in the share of profit of associates of $2.7 million mainly relating to the non-cash fair value adjustment to the underlying investment properties and a fair value loss on the disposal of land at an underlying investment property in the prior year;
(ii) convertible debenture issuance costs in the prior year, negatively impacting the prior year results by $2.3 million;
(iii) a net loss of $4.3 million compared to a net gain of $3.0 million in the prior year, relating to the non-cash fair value adjustment to convertible debentures; and
(iv) a net loss of $392 thousand compared to a net gain of $39 thousand in the prior year, relating to the non-cash fair value adjustment to interest rate swaps and the addition of three new interest rate swaps entered into during the quarter.

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, 2019 and the entire year ended December 31, 2018 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, 2019, approximately 47.6% 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 other operating 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 open-air centres and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

(000s)	**3 Months Ended December 31, 2019 (unaudited)**	3 Months Ended December 31, 2018 (unaudited)	**12 Months Ended December 31, 2019 (unaudited)**	12 Months Ended December 31, 2018 (unaudited)
Same-asset rental revenue	**$ 23,413**	$ 22,961	**$ 92,629**	$ 91,343
Same-asset operating expenses	**(3,528)**	(3,116)	**(12,055)**	(10,991)
Same-asset realty tax expense	**(4,316)**	(4,339)	**(17,735)**	(17,624)
Same-asset NOI	**$ 15,569**	$ 15,506	**$ 62,839**	$ 62,728

Same-asset NOI for the three and twelve months ended December 31, 2019 were impacted by new lease up and rent increases within the portfolio offset by vacancies from lease buyouts during 2019, which negatively affected same-asset NOI by $337 thousand for the quarter and $1.0 million for the year to date as compared to the prior year, as well as the bankruptcy of a tenant, which negatively affected same-asset NOI by $89 thousand for the quarter and $267 thousand for the year to date as compared to the prior year.

Excluding the effect of the lost NOI due to lease buyouts, same-asset NOI for the three and twelve months ended December 31, 2019 would have increased by 2.6% and 1.8%, respectively, compared with the same periods in the prior year.

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

(000s except percentage data)	3 Months Ended December 31, 2019 (unaudited)	3 Months Ended December 31, 2018 (unaudited)	12 Months Ended December 31, 2019 (unaudited)	12 Months Ended December 31, 2018 (unaudited)
New Brunswick	**$ 3,826**	$ 3,802	**$ 15,514**	$ 15,586
Nova Scotia	**2,778**	2,738	**10,962**	10,977
Quebec	**3,371**	3,211	**13,348**	13,261
Alberta	**53**	196	**621**	771
Manitoba	**88**	88	**353**	353
Ontario	**2,108**	2,098	**8,415**	8,294
Newfoundland and Labrador	**1,382**	1,447	**5,845**	5,900
Prince Edward Island	**1,963**	1,926	**7,781**	7,586
Same-asset NOI	**$ 15,569**	$ 15,506	**$ 62,839**	$ 62,728
Percentage increase over prior period	**0.4%**		**0.2%**	

Net Property Operating Income (NOI)

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

(000s)	3 Months Ended December 31, 2019 (unaudited)	3 Months Ended December 31, 2018 (unaudited)	12 Months Ended December 31, 2019 (unaudited)	12 Months Ended December 31, 2018 (unaudited)
Same-asset NOI	**$ 15,569**	$ 15,506	**$ 62,839**	$ 62,728
Land lease expense in NOI [(1)]	**-**	(720)	**-**	(2,880)
Developments and redevelopments transferred to income producing in 2018 ($3.8 million annualized NOI)	**832**	810	**3,303**	2,591
Developments and redevelopments transferred to income producing in 2019 ($2.0M annualized NOI)	**213**	307	**1,150**	1,603
Acquisitions ($3.1 million annualized NOI)	**703**	391	**2,545**	1,287
NOI from properties currently under development and redevelopment ($2.5 million annualized NOI)	**81**	230	**408**	949
Straight-line rent	**85**	(53)	**78**	(228)
Administrative expenses charged to NOI	**(826)**	(858)	**(3,248)**	(3,306)
Lease buyout revenue	**350**	-	**5,963**	-
Property disposals	**(55)**	115	**(91)**	1,076
Other	**(167)**	12	**(220)**	104
Total NOI	**$ 16,785**	$ 15,740	**$ 72,727**	$ 63,924

(1) Under new accounting rules in effect January 1, 2019, Plaza's land leases have been required to be recorded on the statement of financial position. Payments to land lessors are no longer recorded in NOI. Instead an imputed interest expense on the land lease liabilities is recorded in finance costs and a fair value adjustment to the right-of-use land lease assets is recorded in the statement of income and comprehensive income. Principal repayments are booked directly on the statement of financial position reducing the land lease liability recorded. The new standard has been implemented prospectively and therefore prior year comparatives have not been restated.

Share of Profit of Associates

Share of profit of associates consists of income from equity accounted investments, 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 residual return 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 Ontario1 Limited Partnership	25%	8%	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	20%	8%	27%
Ste. Hyacinthe Limited Partnership	25%	n/a	n/a
144 Denison East Limited Partnership	25%	n/a	n/a
The Shoppes at Galway Limited Partnership[(2)]	50%	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); Ottawa Street Almonte, Hastings Street Bancroft and Main Street Alexandria (Plazacorp Ontario1 Limited Partnership); Amherstview and Port Perry (Plazacorp Ontario2 Limited Partnership); King & Mill Newcastle (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 and 5150 Arthur-Sauvé (144 Denison East Limited Partnership); and the Shoppes at Galway (The Shoppes at Galway Limited Partnership).

(2) Land within this partnership is currently in development.

Share of profit of associates for the three months ended December 31, 2019 includes Plaza's share of NOI of approximately $1.3 million compared to $1.0 million for the three months ended December 31, 2018. Share of profit of associates decreased by $270 thousand for the three months ended December 31, 2019 compared to the three months ended December 31, 2018. The decrease was mainly due to the non-cash fair value adjustment to the underlying investment properties.

Share of profit of associates for the twelve months ended December 31, 2019 includes Plaza's share of NOI of approximately $4.4 million compared to $4.1 million for the twelve months ended December 31, 2018. Share of profit of associates increased by $2.7 million for the twelve months ended December 31, 2019 compared to the twelve months ended December 31, 2018. The increase was mainly due to the non-cash fair value adjustment to the underlying investment properties and a fair value loss on the disposal of land at an underlying investment property in the prior year.

Overall committed occupancy for non-consolidated investments (excluding land under development) was 98.1% at December 31, 2019, compared to 98.7% at December 31, 2018.

Distributions received from associates for the three months ended December 31, 2019 were $351 thousand compared to $207 thousand for the three months ended December 31, 2018 for regular distributions.

Distributions received from associates for the twelve months ended December 31, 2019 were $1.7 million compared to $1.3 million for the twelve months ended December 31, 2018 for regular distributions. There were two additional distributions of $3.9 million as a result of proceeds from two separate re-financings at the two underlying investment properties.

Finance Costs

Finance costs for the three months ended December 31, 2019 were $7.2 million, compared to $6.7 million for the same period in the prior year. Finance costs were impacted by:

(i) new imputed interest on land lease liabilities of $563 thousand due to the implementation of the new accounting leasing standard. Under the new accounting rule in effect January 1, 2019, Plaza's land leases have been required to be recorded on the statement of financial position. Payments to land lessors are no longer recorded in NOI. Instead an imputed interest expense on the land lease liabilities is recorded in finance costs and a fair value adjustment to the right-of-use land lease assets is recorded in the statement of income and comprehensive income. Principal repayments are booked directly on the statement of financial position reducing the land lease liability recorded. The new standard has been implemented prospectively and therefore prior year comparatives have not been restated;
(ii) higher mortgage interest of $296 thousand;
(iii) higher capitalized interest of $172 thousand; and
(iv) lower mortgage bond interest of $75 thousand due to the maturing of Series XI bonds in July 2019.

Finance costs for the twelve months ended December 31, 2019 were $29.5 million, compared to $26.8 million for the same period in the prior year. Finance costs were impacted by new imputed interest on land lease liabilities of $2.3 million due to the implementation of the new accounting leasing standard as mentioned above. Higher mortgage interest, higher development line and construction loan interest due to carrying higher balances than the prior year was offset by:

(i) higher early mortgage discharge fees in the amount of $106 thousand incurred in the prior year;
(ii) lower mortgage bond interest of $119 thousand due to the maturing of Series XI bonds in July 2019; and
(iii) one month overlap of interest on the convertible debentures incurred in the prior year in the amount of $120 thousand due to the timing of issuance of the Series E convertible debentures compared to the redemption of the Series D convertible debentures.

Of note, a large number of refinancings were undertaken year-to-date at historically low rates, the net proceeds of which have been used to reduce Plaza's operating line of credit, thereby reducing operating line of credit interest expense in future quarters.

Administrative Expenses

Administrative expenses for the three months ended December 31, 2019 are $24 thousand higher than the prior year. Administrative expenses for the twelve months ended December 31, 2019 are $518 thousand higher than the prior year, mainly due to a retiring allowance.

Plaza maintains a fully internalized and integrated structure and therefore incurs certain costs related to development and redevelopment activity that are 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 decrease to investment properties of $1.0 million for the three months ended December 31, 2019 compared to a fair value decrease of $9.9 million for the three months ended December 31, 2018. The Trust recorded a fair value increase to investment properties of $18.7 million for the twelve months ended December 31, 2019 compared to a fair value decrease of $18.4 million for the twelve months ended December 31, 2018. The weighted average capitalization rate at December 31, 2019 was 7.07% compared to 7.25% at December 31, 2018. The fair value increase when comparing the three months ended December 31, 2019 to the three months ended December 31, 2018 was mainly due to a decrease in capitalization rates. The fair value increase recorded in the current year ending December 31, 2019 is mainly due to the decrease in capitalization rates, largely stemming from higher values on a number of appraisals received on properties during the year. The fair value decrease in the prior year was largely due to an increase in capitalization rates compared to December 31, 2017.

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 months ended December 31, 2019 was a net gain of $185 thousand compared to a net gain of $3.2 million in the prior year. The fair value adjustment to convertible debentures for the twelve months ended December 31, 2019 was a net loss of $4.3 million compared to a net gain of $3.0 million in the prior year.

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 months ended December 31, 2019 was a net loss of $143 thousand compared to a net gain of $381 thousand in the prior year. The fair value adjustment to Class B exchangeable LP units for the twelve months ended December 31, 2019 was a net loss of $822 thousand compared to a net gain of $457 thousand in the prior year.

LEASING AND OCCUPANCY

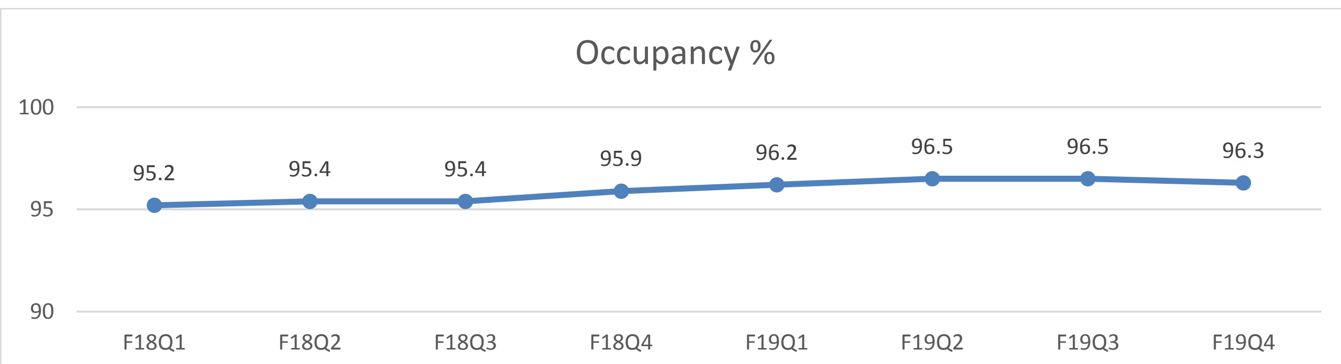
The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2019 (excluding developments, redevelopments and non-consolidated investments).

	Open-Air Centres		Enclosed Malls		Single-User Retail		Single-User QSR [(2)]		**Total**	
Year	Sq Ft[(1)]	%	Sq Ft[(1)]	%	Sq Ft[(1)]	%	Sq Ft[(1)]	%	**Sq Ft[(1)]**	**%**
2020	328,042	6.9	74,749	11.9	16,018	1.8	20,634	10.6	**439,443**	**6.8**
2021	576,851	12.2	36,497	5.8	38,537	4.3	15,279	7.8	**667,164**	**10.3**
2022	482,727	10.2	19,500	3.1	103,739	11.6	41,778	21.5	**647,744**	**10.0**
2023	561,598	11.8	55,939	8.9	152,738	17.1	33,792	17.4	**804,067**	**12.5**
2024	516,314	10.9	67,951	10.8	50,262	5.6	-	-	**634,527**	**9.8**
Thereafter	2,276,480	48.0	372,955	59.5	531,548	59.6	83,178	42.7	**3,264,161**	**50.6**
Subtotal	4,742,012	100.0	627,591	100.0	892,842	100.0	194,661	100.0	**6,457,106**	**100.0**
Vacant	173,973		85,783		-		16,196		**275,952**	
Total	**4,915,985**		**713,374**		**892,842**		**210,857**		**6,733,058**	
Weighted average lease term	**6.5 years**		**3.3 years**		**6.5 years**		**6.5 years**		**6.2 years**	

(1) At 100%, regardless of the Trust's ownership interest in the properties.
(2) QSR refers to quick service restaurants.

At December 31, 2019, overall committed occupancy for the portfolio (excluding properties under development, redevelopment and non-consolidated investments) was 96.3% compared to 96.2% at December 31, 2018. Same-asset committed occupancy was 96.1% at December 31, 2019, compared to 96.0% at December 31, 2018.

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 2019 versus expiries (excluding developments, redevelopments and non-consolidated investments) is outlined in the following table:

	Open-Air Centres	Enclosed Malls	Single-User Retail	Single-User QSR
2019 – Q4 YTD				
Leasing renewals (sq. ft.)	547,974	103,058	97,788	10,595
Weighted average rent ($/sq. ft.)	$16.27	$14.63	$18.41	$23.39
Change in weighted average rent	7.7%	(2.3)%	0.5%	(3.7%)
Expiries that renewed (sq. ft.)	547,974	103,058	97,788	10,595
Weighted average rent ($/sq. ft.)	$15.10	$14.98	$18.32	$24.30
New leasing (sq. ft.)	107,320	10,564	3,200	-
Weighted average rent ($/sq. ft.)	$14.25	$17.45	$29.00	-
Expiries not renewed (sq. ft.)	79,310	14,035	-	13,409
Weighted average rent ($/sq. ft.)	$15.44	$15.69	-	$24.16
2020				
Expiries (sq. ft.)	328,042	74,749	16,018	20,634
Weighted average rent ($/sq. ft.)	$14.80	$7.83	$8.93	$28.59

The majority of the renewals in the single-user retail category were early renewals of 2020 lease expiries.

In addition, for the twelve months ended December 31, 2019, the Trust completed 106 thousand square feet of new and renewal leasing deals on developments and redevelopments at market rates and 216 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

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

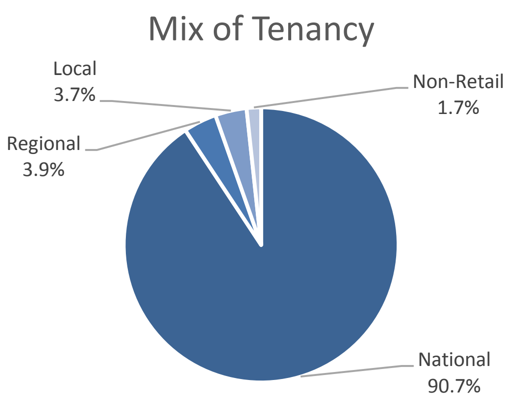
- Committed occupancy in the open-air centres was 96.9% at December 31, 2019, compared to 96.7% at December 31, 2018.
- Committed occupancy for enclosed malls was 88.0% at December 31, 2019, compared to 88.6% at December 31, 2018.
- Committed occupancy for single use assets was 98.6% at December 31, 2019, compared to 98.8% at December 31, 2018.
- Pre-leased space in active properties under development was 86.7% at December 31, 2019.

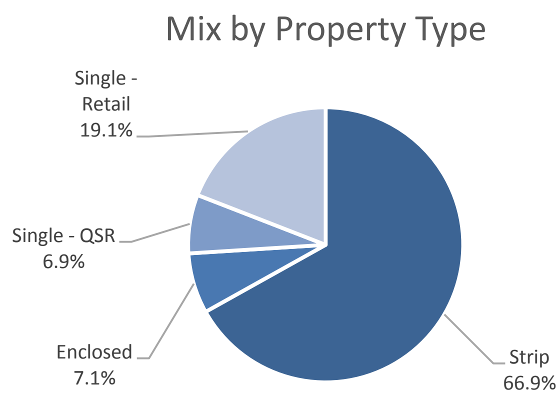
Plaza has built a portfolio with a high quality revenue stream. Plaza's ten largest tenants based upon current monthly base rents at December 31, 2019 represent approximately 54.3% of total base rent revenues in place.

	% of Base Rent Revenue(6)		% of Base Rent Revenue(6)
1. Shoppers Drug Mart/Loblaw(1)	25.1	6. TJX Group(5)	3.3
2. KFC(2)	5.5	7. Staples	3.0
3. Dollarama	5.1	8. Bulk Barn	1.8
4. Canadian Tire Group(3)	3.9	9. Tim Hortons/Burger King (RBI)	1.6
5. Sobeys Group(4)	3.5	10. Metro/Jean Coutu	1.5

(1) Shoppers Drug Mart/Loblaw represents the following stores: Shoppers Drug Mart, No Frills, and Maxi.
(2) The majority is represented by 3 operators.
(3) Canadian Tire Group represents the following stores: Canadian Tire, Mark's/L'Équipeur, Party City and Sport Chek.
(4) Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.
(5) TJX Group represents the following stores: Winners, HomeSense, and Marshalls.
(6) Excludes developments, redevelopments and non-consolidated investments.

The Trust's mix of tenancies, based on base rents, 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.

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 may also look at other qualitative capital markets factors when determining any increase in distributions. 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 convertible debentures – items that are not reflective of Plaza's ability to pay distributions and outside of Plaza's control.

For 2019, Plaza's annual distributions are currently set at $0.28 per unit.

(000s)	**3 Months Ended December 31, 2019 (unaudited)**	3 Months Ended December 31, 2018 (unaudited)	**12 Months Ended December 31, 2019**	12 Months Ended December 31, 2018
Total distributions[(1)]	**$ 7,235**	$ 7,281	**$ 29,020**	$ 28,997
Less: Distribution Reinvestment Plan proceeds[(2)]	**-**	(382)	**-**	(4,438)
Cash distributions paid	**$ 7,235**	$ 6,899	**$ 29,020**	$ 24,559

(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 allowed 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.

Commencing with the payment of the October 2018 distribution, the Trust suspended its DRIP until further notice following the Trust's previous announcement of a normal course issuer bid (see further details in Part III of this MD&A under the heading "Units"). As a result, unitholders enrolled in the DRIP began receiving distribution payments in cash. If Plaza elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP.

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

(000s)	**3 Months Ended December 31, 2019 (unaudited)**	3 Months Ended December 31, 2018 (unaudited)	**12 Months Ended December 31, 2019**	12 Months Ended December 31, 2018
Cash provided by operating activities[(1)]	**$ 11,713**	$ 10,695	**$ 42,653**	$ 33,770
Total distributions[(2)]	**(7,235)**	(7,281)	**(29,020)**	(28,997)
Excess of cash provided by operating activities over total distributions	**$ 4,478**	$ 3,414	**$ 13,633**	$ 4,773

(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 current 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, 2018[1]	$ 35,604	$ 11,579	$ 4,885
Net change	(18,265)	(11,579)	4,039
December 31, 2019[1]	$ 17,339	$ -	$ 8,924
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, 2020	July 31, 2020	July 31, 2020
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	$0.5 million	-	-

(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, 2019, 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. 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 XII
Interest rate	5.00%	5.50%
Maturity date	June 25, 2020	July 15, 2022
Amount	$6,000	$3,000

The Series X 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.

On July 8, 2019 the Series XI mortgage bonds matured and were paid out.

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 E	Convertible Series VII	Non-convertible Series I	Non-convertible Series II
Interest rate	5.10%	5.50%	5.00%	5.00%
Conversion price	$5.65	$6.04	n/a	n/a
Par call date	April 1, 2022	June 30, 2020	n/a	n/a
Maturity date	March 31, 2023	June 30, 2021	May 2, 2021	February 28, 2022
Face amount	$47,250	$5,500	$3,860	$6,000

Mortgages

Fixed Rate Mortgages

During 2019, the Trust closed $199.3 million in fixed rate financing, with a weighted average term of 9.5 years and a weighted average interest rate of 3.81%. The Trust's consolidated share of the long-term financing obtained is $100.7 million.

Long-term financing obtained in 2019 held in non-consolidated investments includes:

- fixed term loans totaling $4.5 million with a weighted average term of 10 years and a weighted average interest rate of 3.68%. These loans are secured by properties located in Granby and Laval, QC and are held in a non-consolidated investment of which the Trust owns 25%;
- fixed term loans totaling $6.5 million with a term of 6.0 years and an interest rate of 3.32%. These loans are secured by properties located in Amherstview and Port Perry, ON and are held in a non-consolidated investment of which the Trust owns 50%. These mortgages are funded by a variable rate that has an interest rate swap in place, thereby fixing the variable interest rate;
- fixed term loans were early extended with the existing lender for $36 million with a weighted average term of 10.0 years and a weighted average interest rate of 4.7%. These loans are secured by properties located in Montreal, QC and are held in a non-consolidated investment of which the Trust owns 10%; and
- a fixed term loan in the amount of $8.1 million with a term of 10.0 years and an interest rate of 3.41%. This loan is secured by a property located in Saint-Jerome, QC and is held in a non-consolidated investment of which the Trust owns 20%. This mortgage is funded by a variable rate that has an interest rate swap in place, thereby fixing the variable interest rate.

Subsequent to year end, a fixed term loan was obtained for a property located in Mississauga, ON for $5.75 million with a term of 10 years and an interest rate of 3.75%, at the Trust's ownership percentage of 50%.

Variable Rate Mortgages

During 2019, the Trust obtained a total of $46.6 million in variable rate financing, with a weighted average term of 2.1 years and a weighted average current variable interest rate of 4.9%, at the current prime rate. The Trust's consolidated share of the variable rate financing drawn in 2019 is $15.8 million.

Variable rate financing obtained in 2019 includes:

- an unsecured variable-rate interest-only loan in the amount of $1.2 million (at Plaza's consolidated share) in connection with the acquisition of a property. The loan has a term of 5 years and a rate of prime plus 1.05% with a minimum 5.00% rate;
- a $10.1 million secured non-revolving construction facility. The loan has a term of 2 years and a rate of prime plus 1.00% or BAs plus 2.25%. At December 31, 2019, $8.9 million has been drawn on the loan;
- 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 1.25% or BAs plus 2.75%, and matures on May 31, 2020. At December 31, 2019, $6.6 million has been drawn on the loan, of which $4.6 million has been drawn in 2019; and
- a construction facility for $27.4 million was entered into with a term of 2.0 years and an interest rate of prime plus 0.75% or BA plus 2.0%. At December 31, 2019, $17.7 million has been drawn of which $7.6 million was used to repay a portion

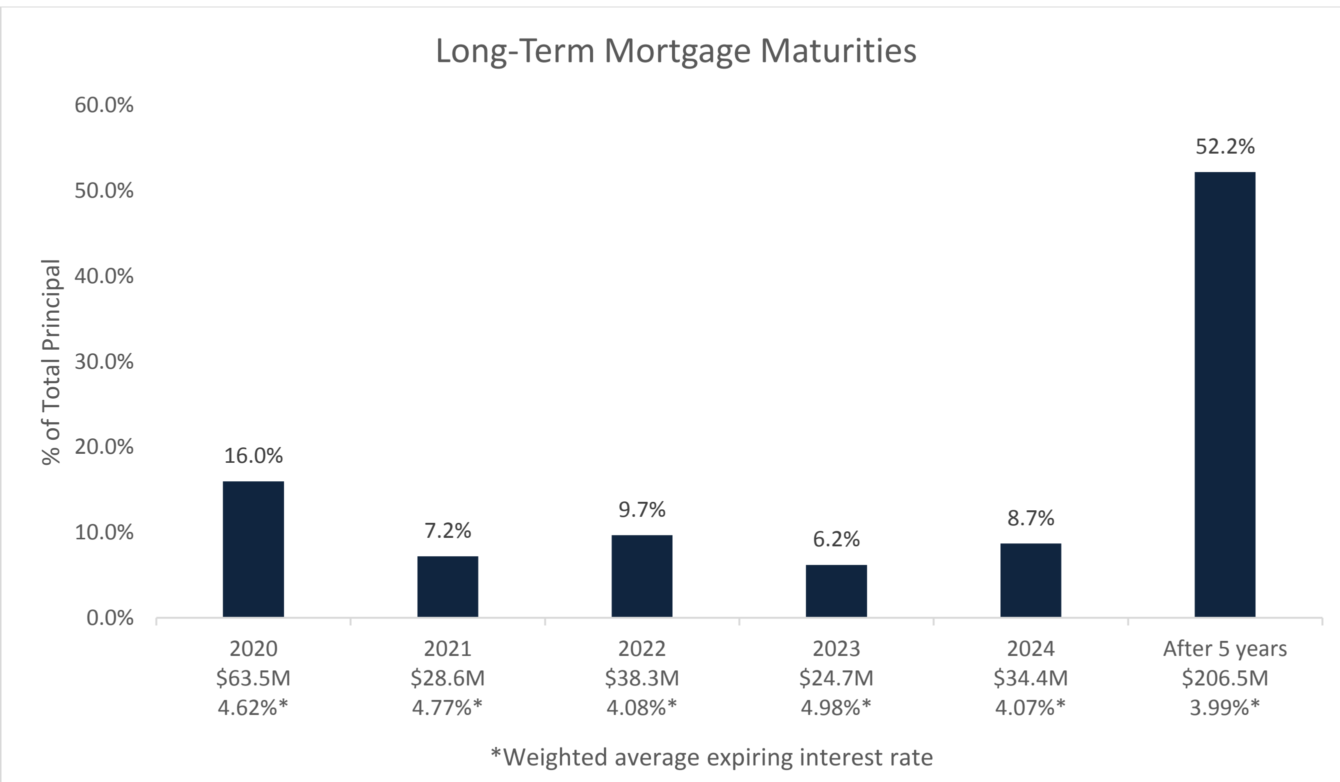
of a land loan for the same property. This facility is held in a non-consolidated investment for a property located in St. John's, NL of which the Trust owns 50%.

In January 2018, the Trust obtained a $14.9 million variable rate secured construction loan/credit facility in connection with the acquisition of a redevelopment project. Upon the sale of a 50% co-ownership interest in the underlying property in the second quarter of 2018, 50% of this facility was assumed by the partner. This loan was repaid during 2019 when long term financing was obtained for this property.

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 long-term mortgages by year:



The weighted average term to maturity for the long-term mortgages is 5.9 years. The average remaining repayment (amortization) period on long-term mortgage debt is 21.8 years.

Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three and twelve months ended December 31, 2019, compared to the three and twelve months ended December 31, 2018 is presented below:

(000s – except debt service ratios)	**3 Months Ended December 31, 2019 (unaudited)**	3 Months Ended December 31, 2018 (unaudited)	**12 Months Ended December 31, 2019**	12 Months Ended December 31, 2018
Profit and total comprehensive income for the period	**$ 8,017**	$ 1,068	**$ 51,337**	$ 12,212
Add (deduct):				
Income taxes	**(232)**	(537)	**554**	(175)
Finance costs	**7,169**	6,666	**29,518**	26,752
Finance costs - convertible debenture issuance costs	**-**	-	**-**	2,280
Fair value adjustment to investment properties	**1,010**	9,865	**(18,748)**	18,405
Fair value adjustment to investments	**1,761**	1,209	**1,665**	4,119
Fair value adjustment to convertible debentures	**(185)**	(3,159)	**4,294**	(3,022)
Fair value adjustment to Class B exchangeable LP units	**143**	(381)	**822**	(457)
Fair value adjustment to restricted units	**12**	(28)	**53**	(30)
Fair value adjustment to interest rate swaps	**(1,380)**	50	**392**	(39)
Fair value adjustment to right-of-use land lease assets	**169**	-	**663**	-
Equity accounting adjustment for interest rate swaps	**(57)**	9	**(63)**	(49)
EBITDA	**$ 16,427**	$ 14,762	**$ 70,487**	$ 59,996
Finance costs[(1)]	**$ 7,034**	$ 6,629	**$ 29,192**	$ 26,413
Periodic mortgage principal repayments[(2)]	**2,885**	2,698	**11,458**	10,730
Total debt service	**$ 9,919**	$ 9,327	**$ 40,650**	$ 37,143
Debt service ratios				
Interest coverage ratio	**2.34 times**	2.23 times	**2.41 times**	2.27 times
Debt coverage ratio	**1.66 times**	1.58 times	**1.73 times**	1.62 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.
(2) Includes land lease principal repayments

For the three and twelve months ended December 31, 2019, the interest and debt coverage ratios were significantly higher than the prior year mainly due to $6.0 million in lease buyout revenues recorded in the current year.

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, 2019	December 31, 2018
Debt to gross assets:		
Including convertible debentures[(1)]	56.3%	54.7%
Excluding convertible debentures	51.8%	49.7%

(1) Convertible debentures valued at cost.

The increase in debt to gross assets over the prior year relates to the new accounting standards on leases implemented on January 1, 2019 requiring Plaza to record a land lease liability and right-of-use land lease asset on its books. This standard has been implemented prospectively and therefore prior year comparatives have not been restated. Excluding land leases and excluding convertible debentures, the debt to gross assets ratio is 49.1%; excluding land leases and including convertible debentures, the ratio is 53.9%. The Trust's general philosophy is to maintain its leverage excluding land leases 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 25, 2020 (000s) (unaudited)	Units
Current outstanding units	**102,113**
Class B exchangeable LP units	**1,191**
Series VII convertible debentures	**911**
Series E convertible debentures	**8,363**
Total adjusted units outstanding	**112,578**

On September 26, 2019, the Trust announced that it had received approval from the TSX for the renewal of its normal course issuer bid ("NCIB") for a further year. The period of the renewed NCIB commenced on September 28, 2019, with purchases able to be made as at the open of markets on September 30, 2019, and will conclude on the earlier of the date on which purchases under the bid have been completed and September 27, 2020. Under the terms of the renewed NCIB, the Trust can purchase up to 8,096,331 of its issued and outstanding units through the facilities of the TSX and any alternative trading system in Canada. Subject to certain prescribed exemptions and any block purchase made in accordance with the rules of the TSX, daily purchases made by the Trust may not exceed 12,433 units, representing 25% of the average daily trading volume of the units on the TSX for the six-month period ended August 31, 2019 (being 49,733 units). All units that are purchased under the renewed NCIB will be cancelled (on a monthly basis, on or before the record date for each monthly distribution). Unitholders may obtain a copy of the NCIB renewal notice, without charge, by contacting the Trust.

Plaza also entered into a new automatic securities purchase plan agreement (the "Plan") with its designated broker in order to facilitate purchases of units under the renewed NCIB. The Plan, which was pre-cleared by the TSX, allows for purchases of units by Plaza at times when it would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. The Plan will terminate on September 27, 2020.

Under its previous NCIB, which expired on September 27, 2019, Plaza purchased a total of 579,389 units at a weighted average price of $4.1984 per unit. Plaza also purchased 142,300 units to date under the renewed NCIB at a weighted average price of $4.5128, resulting in a total of 721,689 units being repurchased for cancellation for the year ended December 31, 2019.

Subsequent to year end, an additional 68,400 units have been repurchased under the normal course issuer bid at an average unit price of $4.5607.

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.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). The new standard replaced the previous lease guidance in IFRS and related interpretations, requiring lessees to bring most leases on their statement of financial position. Lessor accounting remains similar to the current standard and the distinction between operating and finance leases is retained. The new standard was effective beginning January 1, 2019.

The Trust has investment properties located on land which is leased. Under the former lease standard, these leases were accounted for as operating leases and the related lease payments were expensed. Under the new lease standard, a right-of-use ("ROU") asset and a land lease liability have been recorded along with the corresponding financing charges. The ROU asset is accounted for as investment property, as these land leases meet the definition of investment property under IAS 40, *Investment property*.

At transition, for leases classified as operating leases under the old standard, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Trust's incremental borrowing rate as at January 1, 2019. The Trust elected to measure all its ROU assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

As at January 1, 2019, the Trust recognized lease liabilities of $60.6 million recorded as land lease liabilities and ROU assets of $60.6 million in investment properties on its statement of financial position. The nature and timing of the related expenses has changed under the new standard, as IFRS 16 replaces the straight-line operating lease expense recorded in NOI with interest expense on lease liabilities. Changes in the fair value of the ROU asset are also now being recorded.

Land lease commitments at December 31, 2018	$ 126,374
Additional land lease commitments upon transition[1]	16,782
Total land lease liability commitments	143,156
Discounted using the incremental borrowing rate at January 1, 2019	(82,586)
Land lease liabilities recognized at January 1, 2019	$ 60,570

(1) Land lease commitments upon transition represent those leases that, in the opinion of management, will be renewed for terms beyond the current contractual commitments based on the estimated useful lives of the investment properties occupying the leased land.

When measuring lease liabilities for leases that were classified as operating leases, the Trust discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 4.67%.

The Trust has 26 long-term land leases (affecting 25 properties). One of the land leases relates to shared parking facilities. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 35 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 60 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. At December 31, 2019, the recorded amount of the right-of-use asset and land lease liability is $59.9 million.

Gross Capital Additions Including Leasing Fees:

(000s)	**3 Months Ended December 31, 2019 (unaudited)**	3 Months Ended December 31, 2018 (unaudited)	**12 Months Ended December 31, 2019 (unaudited)**	12 Months Ended December 31, 2018 (unaudited)
Existing properties				
Leasing commissions	**$ 72**	$ 53	**$ 232**	$ 338
Other leasing costs	**487**	456	**2,058**	1,836
	559	509	**2,290**	2,174
Maintenance capital expenditures	**153**	75	**1,295**	869
Total capital additions – existing properties	**712**	584	**3,585**	3,043
Development/redevelopment properties				
Leasing commissions	**202**	225	**365**	654
Other leasing costs	**3,708**	3,713	**8,630**	11,424
Capital additions	**2,673**	3,538	**14,193**	10,346
Total capital additions - developments/redevelopments	**6,583**	7,476	**23,188**	22,424
Total gross additions per statements of cash flows	**$ 7,295**	$ 8,060	**$ 26,773**	$ 25,467
Reconciliation of leasing costs for AFFO purposes				
Leasing costs – existing properties per above	**$ 559**	$ 509	**$ 2,290**	$ 2,174
Internal leasing salaries	**252**	221	**1,035**	1,199
Total leasing costs – existing properties for AFFO purposes	**$ 811**	$ 730	**$ 3,325**	$ 3,373

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Trust has $9.1 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, 2019 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2020	**Year 2 2021**	**Year 3 2022**	**Year 4 2023**	**Year 5 2024**	**After 5 Years**	**Face Value Total**
Mortgages – periodic payments	$ 11,243	$ 9,887	$ 9,685	$ 8,257	$ 7,951	$ 29,994	$ 77,017
Mortgages – due at maturity	63,502	28,646	38,347	24,664	34,425	206,534	396,118
Development lines of credit	8,924	-	-	-	-	-	8,924
Construction loans	6,560	8,855	-	-	-	-	15,415
Unsecured interest-only loans	-	-	-	5,643	2,971	-	8,614
Bank indebtedness	17,339	-	-	-	-	-	17,339
Mortgage bonds payable	6,000	-	3,000	-	-	-	9,000
Debentures(1)	-	9,360	6,000	47,250	-	-	62,610
Land leases	2,958	2,974	2,962	2,928	2,965	108,670	123,457
Development activities	9,084	-	-	-	-	-	9,084
Total contractual obligations	**$125,610**	**$59,722**	**$ 59,994**	**$ 88,742**	**$ 48,312**	**$345,198**	**$727,578**

(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, 2019 totals $4.8 million with a weighted average remaining term of 3.1 years. As well, the Trust has contingent liabilities as original borrower on six 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 guarantees at December 31, 2019 totals $6.8 million with a weighted average remaining term of 5.6 years.

The Trust is contingently liable for certain obligations of its co-venturers, under guarantees in excess of its ownership percentages for six strip plazas and four free-standing properties. The excess guarantees amount to $15.0 million. Cross indemnities, are in place for certain of these properties from co-venturers.

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' 19**	Q3' 19	Q2'19	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18
Total revenue[1]	**$27,685**	$28,437	$28,491	$33,858	$26,162	$27,077	$28,639	$23,558
Property rental revenue	**$27,473**	$26,868	$26,373	$31,747	$26,068	$25,723	$26,260	$25,966
Net property operating income	**$16,785**	$18,015	$16,449	$21,478	$15,740	$16,699	$16,125	$15,360
Profit (loss) and total comprehensive income (loss)	**$8,017**	$10,076	$16,954	$16,290	$1,068	$6,983	$7,327	$(3,166)
Distributions per unit	**7.0¢**	7.0¢	7.0¢	7.0¢	7.0¢	7.0¢	7.0¢	7.0¢
Funds from operations per unit – basic	**8.9¢**	9.8¢	8.1¢	12.8¢	7.9¢	9.0¢	8.2¢	7.9¢
Funds from operations per unit – diluted	**8.8¢**	9.6¢	8.0¢	12.3¢	7.8¢	8.9¢	8.2¢	7.9¢
Adjusted funds from operations per unit – basic	**7.9¢**	8.4¢	7.2¢	11.7¢	7.2¢	7.8¢	7.0¢	7.2¢
Adjusted funds from operations per unit – diluted	**7.8¢**	8.3¢	7.2¢	11.3¢	7.2¢	7.8¢	7.0¢	7.2¢
Distributions as a percentage of basic FFO	**78.6%**	71.5%	86.3%	54.9%	89.0%	77.4%	85.0%	88.1%
Distributions as a percentage of basic AFFO	**88.4%**	83.5%	97.2%	60.0%	97.5%	89.4%	99.5%	97.0%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**6,733**	6,406	6,418	6,430	6,430	6,358	6,326	6,065
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**96.3%**	96.5%	96.5%	96.3%	96.2%	95.9%	95.4%	95.1%

(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.

Some of Plaza's leases have common cost recoveries from tenants linked to CPI or otherwise have caps on operating cost recoveries. At December 31, 2019, approximately 47.6% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (also referred to as "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, 2019, the Trust held interests in 274 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Instruments and Risk Management Note 29 to the December 31, 2019 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 27, 2019 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, considering exposure to debt maturing and leases expiring in any given year. Matching as closely as possible the debt term on a particular asset with its average lease term, helps ensure that any interest rate increases could be offset by increases in rental rates.

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 $429 thousand. The Trust mitigates its exposure to fixed-rate interest risk on its debt 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 2020 or properties needing long term financing in 2020 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 experience financial difficulty and will 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 and Plaza limits loans granted under lease arrangements to credit-worthy, mainly national, tenants.

Currently one tenant, Shoppers Drug Mart/Loblaw, represents 25.1% of current monthly base rents in place, while franchisees of KFC represent 5.5%. The top 10 tenants collectively represent approximately 54.3% of current monthly base rents in place. National and regional tenants represent 94.6% of the tenant base, based on base rents in place.

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.

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. As well, 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 by geographic location and ensuring that the Trust maintains a well-staffed and highly skilled leasing department.

One of Plaza's performance drivers is related to same-property 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 immediately reduced by vacancy. Certain costs such as janitorial costs would not decline with a decline in occupancy.

The hypothetical impact to NOI of a change in portfolio 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.

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 any 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. The notes are repayable on sale or refinancing of the related asset.

(000s)	**December 31, 2019**	December 31, 2018
Non-interest bearing notes:		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta (President & Chief Executive Officer and trustee)	**$ 261**	$ 261

Bonds and Debentures Held

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

(000s)	**December 31, 2019**	December 31, 2018
Earl Brewer (Chair of the Board and trustee)	**$ 325**	$ 450
Stephen Johnson (trustee)	**200**	300
Michael Zakuta	**-**	100
Total	**$ 525**	$ 850

No other trustee or key management personnel own mortgage bonds of the Trust at December 31, 2019.

Other Related Party Transactions

TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to the Trust at market rates, with a total annual rent of $1.2 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value. The business purpose of the leases was to enhance levered equity returns on the affected assets.

Earl Brewer and Michael Zakuta, 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, 2019 there is a $28 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees. For the twelve months ended December 31, 2019, property management, development, financing and leasing fees of $158 thousand were earned by a subsidiary of the Trust from this property. For the year ended December 31, 2019 there were no amounts owing to the Trust. The $405 thousand note receivable owing to the Trust at December 31, 2018, relating to short-term funding requirements for the construction of a retail pad on the property was repaid during the first quarter of 2019.

Until January 31, 2018, Earl Brewer and Michael Zakuta, directly or indirectly, held 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. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own. A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, development and leasing fees of $18 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. The Trust pays no basic minimum rent for the space.

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, 2019 there is $5.9 million owed by the properties to the Trust which is recorded in notes and advances. As well, there is a $13 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees. For the twelve months ended December 31, 2019, property management, leasing, development and financing fees of $181 thousand were earned by a subsidiary of the Trust from these properties.

Until January 31, 2018, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Shediac West Plaza, Shediac, NB. A subsidiary of the Trust manages the property. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp – Shediac Limited Partnership that it did not already own. A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, leasing and development fees of $2 thousand were earned by a subsidiary of the Trust from this property.

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, 2019, property management fees of $5 thousand were earned by a subsidiary of the Trust from these properties.

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, 2019 there is a $9 thousand accounts receivable balance owing to the Trust for property management, development and leasing fees. For the twelve months ended December 31, 2019, property management, leasing and development fees of $144 thousand were earned by a subsidiary of the Trust from these properties.

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, 2019, property management fees of $32 thousand were earned by a subsidiary of the Trust from these properties.

Earl Brewer, Denis Losier 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, 2019 there is a $16 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2019, property management, leasing and development fees of $239 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 of the Trust's DC&P and ICFR at December 31, 2019. Based on that evaluation they determined that the Trust's DC&P and ICFR were appropriately designed 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, 2019, 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 valuators. 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 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, generally as refinancing activities require them, and as applicable, the fair value of various investment properties is 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, 2019 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 $38.0 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $35.4 million.

FUTURE ACCOUNTING POLICY CHANGES

Please refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2019 for details about future accounting policy changes.

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 adopted the new definition for AFFO, as this is a non-IFRS financial measure that has always been used and reported by Plaza.

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 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, 2018, 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).

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, 2019 can be accessed on Plaza's website at www.plaza.ca.

APPENDIX A

FOURTH QUARTER 2019 INCOME RESULTS

Consolidated Statements of Comprehensive Income

(000s) (unaudited)	3 Months Ended December 31, 2019	3 Months Ended December 31, 2018
Revenues	**$ 27,473**	$ 26,068
Operating expenses	**(10,688)**	(10,328)
Net property operating income	**16,785**	15,740
Share of loss of associates	**(843)**	(573)
Administrative expenses	**(2,286)**	(2,262)
Investment income	**170**	163
Other income	**885**	504
Income before finance costs, fair value adjustments and income taxes	**14,711**	13,572
Finance costs	**(7,169)**	(6,666)
Finance costs – net change in fair value of convertible debentures	**185**	3,159
Finance costs – net change in fair value of Class B exchangeable LP units	**(143)**	381
Finance costs – net change in fair value of interest rate swaps	**1,380**	(50)
Net change in fair value of right-of-use land lease assets	**(169)**	-
Net change in fair value of investment properties	**(1,010)**	(9,865)
Profit before income tax	**7,785**	531
Income tax recovery (expense)		
- Current	**(100)**	(90)
- Deferred	**332**	627
	232	537
Profit and total comprehensive income for the period	**$ 8,017**	$ 1,068
Profit and total comprehensive income for the period attributable to:		
- Unitholders	**$ 8,256**	$ 1,055
- Non-controlling interests	**(239)**	13
	$ 8,017	$ 1,068

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, with the assistance of its Audit Committee, is responsible for ensuring that management fulfills its oversight responsibility for financial reporting and internal control. The Audit Committee consists entirely of independent Trustees. At regular meetings, the Audit Committee reviews audit, internal control and financial reporting matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements, the Independent Auditors' Report and the accompanying management's discussion and analysis have been reviewed by the Audit Committee and have been approved by the Board of Trustees.

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 with and without the presence of management and non-independent Trustees.

Michael Zakuta
President and CEO
February 25, 2020

Jim Drake
Chief Financial Officer
February 25, 2020

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INDEPENDENT AUDITORS' REPORT

To Unitholders of Plaza Retail REIT

Opinion

We have audited the consolidated financial statements of Plaza Retail REIT (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance, and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Douglas Reid.

Fredericton, Canada

February 25, 2020

Plaza Retail REIT

Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	December 31, 2019	December 31, 2018
Assets		
Non-Current Assets		
Investment properties (Note 5)	**$ 1,086,680**	$ 988,640
Investments (Note 6)	**49,124**	44,614
Tenant loans	**530**	613
Deferred income tax asset (Note 17)	**364**	461
Total non-current assets	**1,136,698**	1,034,328
Current Assets		
Investment properties held for sale (Note 5)	**609**	-
Cash	**8,845**	7,296
Receivables (Note 7)	**4,285**	3,398
Prepaid expenses and deposits (Note 8)	**5,383**	3,390
Tenant loans	**110**	105
Notes and advances receivable (Note 9)	**6,038**	12,549
Total current assets	**25,270**	26,738
Total assets	**$ 1,161,968**	$ 1,061,066
Liabilities and Unitholders' Equity		
Non-Current Liabilities		
Debentures payable (Note 10)	**$ 64,190**	$ 59,835
Mortgage bonds payable (Note 11)	**2,950**	8,893
Mortgages payable (Note 12)	**414,125**	399,867
Class B exchangeable LP units (Note 22)	**5,444**	4,622
Land lease liabilities (Note 14)	**59,219**	-
Deferred income tax liability (Note 17)	**7,247**	7,078
Total non-current liabilities	**553,175**	480,295
Current Liabilities		
Current portion of mortgage bonds payable (Note 11)	**5,987**	5,970
Bank indebtedness (Note 13)	**17,339**	35,604
Current portion of mortgages payable (Note 12)	**90,228**	68,471
Accounts payable, accrued liabilities, tenant payables and tenant deposits (Note 15)	**21,623**	17,683
Land lease liabilities (Note 14)	**688**	-
Income tax payable	**24**	-
Notes payable (Note 16)	**1,456**	1,341
Total current liabilities	**137,345**	129,069
Total liabilities	**690,520**	609,364
Unitholders' equity	**467,142**	447,181
Non-controlling interests	**4,306**	4,521
Total unitholders' equity	**471,448**	451,702
Total liabilities and unitholders' equity	**$ 1,161,968**	$ 1,061,066

Contingencies, commitments, guarantees and indemnities, litigation and provisions – see Note 28
Subsequent events – see Note 31

B Trenholm

Barbara Trenholm, Trustee
Chair of the Audit Committee

Earl Brewer, Trustee
Chair of the Board

See accompanying notes which are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	2019	2018
Revenues (Note 18)	**$ 112,461**	$ 104,017
Operating expenses (Note 19)	**(39,734)**	(40,093)
Net property operating income	**72,727**	63,924
Share of profit (loss) of associates	**1,229**	(1,492)
Administrative expenses (Note 20)	**(9,905)**	(9,387)
Investment income	**981**	688
Other income	**3,800**	2,223
Income before finance costs, fair value adjustments and income taxes	**68,832**	55,956
Finance costs (Note 21)	**(29,518)**	(26,752)
Finance costs - convertible debenture issuance costs	**-**	(2,280)
Finance costs - net change in fair value of convertible debentures (Note 10)	**(4,294)**	3,022
Finance costs - net change in fair value of Class B exchangeable LP units (Note 22)	**(822)**	457
Finance costs - net change in fair value of interest rate swaps (Note 12 and 29)	**(392)**	39
Net change in fair value of right-of-use land lease assets (Note 5)	**(663)**	-
Net change in fair value of investment properties (Note 5)	**18,748**	(18,405)
Profit before income tax	**51,891**	12,037
Income tax recovery (expense)		
- Current	**(288)**	(235)
- Deferred	**(266)**	410
	(554)	175
Profit and total comprehensive income for the period	**$ 51,337**	$ 12,212
Profit and total comprehensive income for the period attributable to:		
- Unitholders	**$ 51,407**	$ 12,063
- Non-controlling interests	**(70)**	149
	$ 51,337	$ 12,212

See accompanying notes which 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 22)	Retained Earnings	Total Attributable to Unitholders	Non-Controlling Interests	Total Equity
Balance as at December 31, 2017	$ 273,158	$ 185,706	$ 458,864	$ 4,231	$ 463,095
Profit and total comprehensive income for the period	-	12,063	12,063	149	12,212
Transactions with unitholders, recorded directly in equity:					
- Issuance of units under the DRIP and RU plan	4,586	-	4,586	-	4,586
- Units issued from exchange of Class B exchangeable units	314	-	314	-	314
- Distributions to unitholders (Note 24)	-	(28,646)	(28,646)	-	(28,646)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	141	141
Balance as at December 31, 2018	**$ 278,058**	**$ 169,123**	**$ 447,181**	**$ 4,521**	**$ 451,702**
Profit and total comprehensive income for the period	-	51,407	51,407	(70)	51,337
Transactions with unitholders, recorded directly in equity:					
- Issuance of units under the RU plan (Note 22)	273	-	273	-	273
- Repurchase of units under normal course issuer bid (Note 22)	(1,925)	(1,108)	(3,033)	-	(3,033)
- Distributions to unitholders (Note 24)	-	(28,686)	(28,686)	-	(28,686)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(145)	(145)
Balance as at December 31, 2019	**$ 276,406**	**$ 190,736**	**$ 467,142**	**$ 4,306**	**$ 471,448**

See accompanying notes which are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	**2019**	2018
Cash obtained from (used for):		
Operating activities		
Profit and total comprehensive income for the period	**$ 51,337**	$ 12,212
Items not affecting cash:		
Finance costs (Note 21)	**29,518**	26,752
Share of loss (profit) of associates	**(1,229)**	1,492
Net change in fair value of investment properties	**(18,748)**	18,405
Net change in fair value of convertible debentures	**4,294**	(3,022)
Net change in fair value of Class B exchangeable LP units	**822**	(457)
Net change in fair value of interest rate swaps (Note 12 and 29)	**392**	(39)
Net change in fair value of right-of-use land lease assets	**663**	-
Current and deferred income taxes	**554**	(175)
Issuance of units under the DRIP and RU plan	**273**	148
Straight-line rent (Note 18)	**(78)**	228
Interest paid	**(26,134)**	(24,811)
Imputed interest paid on land lease liabilities (Note 21)	**(2,254)**	-
Income taxes paid	**(348)**	(164)
Distributions from equity accounted investments (Note 6)	**1,676**	1,338
Leasing commissions paid	**(232)**	(338)
Change in non-cash working capital (Note 25)	**2,147**	2,201
	42,653	33,770
Financing activities		
Cash distributions paid to unitholders (Note 24)	**(28,686)**	(24,208)
Cash distributions paid to Class B exchangeable LP unitholders (Note 21)	**(334)**	(351)
Repurchase of units under normal course issuer bid (Note 22)	**(3,033)**	-
Cash received on acquisition of Plazacorp – Shediac Limited Partnership and Northwest Plaza Commercial Trust (Note 4)	**-**	739
Gross proceeds from mortgage bonds and debentures	**-**	48,655
Fees incurred for bonds and debentures	**-**	(53)
Redemption/repayment of mortgage bonds and debentures	**(6,000)**	(35,545)
Gross mortgage proceeds	**139,949**	65,373
Fees incurred for placement of mortgages	**(1,059)**	(480)
Loan defeasance expenses and early mortgage discharge fees paid (Note 21)	**(134)**	(240)
Mortgages repaid	**(92,953)**	(38,783)
Periodic mortgage principal repayments	**(10,795)**	(10,730)
Land lease principal repayments	**(663)**	-
Distributions from equity accounted investments (Note 6)	**3,952**	-
Increase (decrease) in notes payable	**115**	(83)
	359	4,294
Investing activities		
Acquisitions of investment properties and land (Note 5)	**(12,650)**	(36,877)
Investment properties – additions	**(26,541)**	(25,129)
Net proceeds from disposal of investment properties and land (Note 5(e))	**16,265**	40,976
Advances to equity accounted investments for developments (Note 6)	**(8,910)**	(5,161)
Contributions to/(distributions from) subsidiaries from/to non-controlling interests	**(146)**	141
Repayment of Northwest Plaza Commercial Trust unitholder debt (Note 4)	**-**	(859)
Purchase of remaining units of Northwest Plaza Commercial Trust and Plazacorp - Shediac Limited Partnership (Note 4)	**-**	(14,296)
Decrease (increase) in deposits for acquisitions and financings (Note 8)	**(1,907)**	538
Decrease (increase) in notes and advances receivable	**10,623**	(2,550)
Issuance of tenant loans	**(40)**	(331)
Repayment of tenant loans	**108**	464
	(23,198)	(43,084)
Net increase (decrease) in cash	**19,814**	(5,020)
Cash less bank indebtedness, beginning of the period	**(28,308)**	(23,288)
Cash less bank indebtedness, end of the period	**$ (8,494)**	$ (28,308)

See accompanying notes which are an integral part of these consolidated financial statements.

1. Reporting Entity

Plaza Retail REIT (the "Trust" or "Plaza") is an unincorporated "open-ended" real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 (the "Declaration of Trust") and is 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 25, 2020.

(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 properties;
- Investment properties included in investments; and
- Exchangeable LP 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 valuators. The valuation of investment properties is one of the principal estimates and uncertainties of these financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

3. Summary of Significant Accounting Policies

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

(a) General and Consolidation

The consolidated financial statements comprise the financial statements of the Trust and the entities that it controls. 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 statement of financial position 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 or loss in the period in which they arise.

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

The Trust enters as a lessor into lease agreements that fall within the scope of IFRS 16, “Leases” which are classified as operating leases. The Trust's revenues are earned from lease contracts with tenants and include both a lease component and a non-lease component. The Trust recognizes revenue from lease components on a straight-line basis over the lease term, including the recovery of property tax and insurance, and is included in revenue in the consolidated statements of comprehensive income due to its operating nature, except for contingent rental income which is recognized when it arises. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually due from the tenant.

The lease agreements include certain services offered to tenants such as cleaning, utilities, security, landscaping, snow removal, property maintenance costs, as well as other support services. The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. The Trust has determined that these services constitute distinct non-lease component (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15, “Revenue from Contracts with Customers”. These property management services are considered one performance obligation, meeting the criteria for over time recognition and are recognized in the period that recoverable costs are incurred, or services are performed.

Fee Income

Fee income consists mainly of property management fees, leasing fees, project management fees and other miscellaneous fees. Property management fees are generally based on a percentage of property revenues and are recognized when earned in accordance with the property management or co-ownership agreements. Leasing fees are incurred when the Trust is the leasing manager for co-owned properties and are recognized when earned in accordance with the property management or co-ownership agreements.

Lease buyout revenue

Lease buyout revenue represents amounts earned from tenants in connection with the cancellation or the early termination of their remaining lease obligations and is recognized when a lease termination agreement is signed, and collection is reasonably assured.

(e) Income Taxes

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

(f) Cash

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

(g) Unit-based Payments

The Trust also issues unit-based awards, comprised of restricted units, to certain officers and employees of the Trust or its affiliates. Under the restricted unit plan, the fair value of the restricted 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 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 unit or deferred unit 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. 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.

(i) Financial Instruments

Financial assets and liabilities are recognized when the Trust becomes a party to the contractual provision of the financial instrument.

Classification and Measurement - Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, "Financial Instruments" are not separated, but the hybrid financial instrument as a whole is assessed for classification.

Financial assets are measured at amortized cost if both of the following conditions are met and it is not designated as FVTPL:

- the financial asset is held within a business model with the objective of collecting the contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at FVOCI if they meet both of the following conditions and are not designated at FVTPL:

- the financial asset is held within a business model whose objective is to both hold assets to collect contractual cash flows and to sell assets prior to maturity; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets held within another business model or assets that do not have contractual cash flow characteristics that are solely payments of principal and interest are measured at FVTPL.

Financial liabilities are classified and measured subsequently at amortized cost using the effective interest method or at FVTPL.

The Trust's financial assets and liabilities have been classified and measured as follows:

Asset / Liability	**Classification and Measurement Basis**
Tenant loans	Amortized cost
Cash	Amortized cost
Receivables	Amortized cost
Notes and advances receivable	Amortized cost
Debentures payable:	
- Convertible debentures	FVTPL
- Non-convertible debentures	Amortized cost
Mortgage bonds payable	Amortized cost
Mortgages payable	Amortized cost
Class B exchangeable LP units	FVTPL
Bank indebtedness	Amortized cost
Accounts payable, accrued liabilities, tenant payables and tenant deposits	Amortized cost
Notes payable	Amortized cost
Interest rate swaps	FVTPL

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

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, 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 gross carrying amount of a financial asset or to the amortized cost of a financial liability.

Any transaction costs associated with financial instruments measured at FVPTL are expensed as incurred.

Impairment - An allowance for expected credit losses ("ECL") is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Impairment losses, if incurred, would be recorded in the consolidated statement of comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

General Hedging - IFRS 9 includes a new general hedge accounting standard which aligns hedge accounting more closely with an entity's risk management objectives and strategies. The Trust does not currently apply hedge accounting in its financial statements.

(j) 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.

(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 though profit or 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.

(m) Accounting Standards Implemented in 2019

On January 1, 2019, the Trust implemented IFRS 16, *Leases* ("IFRS 16") and IFRIC 23, *Uncertainty over income tax treatments* ("IFRIC 23"), in accordance with IAS 8, *Accounting policies, changes in accounting estimates and errors*. The impacts on implementation of IFRS 16 and IFRIC 23 are described below.

(i) Leases

In January 2016, the IASB issued IFRS 16. The new standard replaced the previous lease guidance in IFRS and related interpretations, requiring lessees to bring most leases on their statement of financial position. Lessor accounting remains similar to the former standard and the distinction between operating and finance leases is retained. The new standard was effective beginning January 1, 2019.

The Trust has investment properties located on land which is leased. Under the former lease standard, these leases were accounted for as operating leases and the related lease payments were expensed. Under the new lease standard, right-of-use ("ROU") assets and land lease liabilities have been recorded along with the corresponding financing charges. The ROU assets are accounted for as investment property, as these land leases meet the definition of investment property under IAS 40, *Investment property*.

At transition, for leases classified as operating leases under the old standard IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Trust's incremental borrowing rate as at January 1, 2019. The

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

Trust elected to measure all its ROU assets at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

The Trust elected the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied IFRS 16 only to contracts that were previously identified as leases;
- Applied the exemption not to recognize the ROU asset and lease liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring ROU assets; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As at January 1, 2019, the Trust recognized lease liabilities of $60.6 million recorded as land lease liabilities and ROU assets of $60.6 million in investment properties on its statement of financial position. The nature and timing of the related expenses has changed under the new standard, as IFRS 16 replaces the straight-line operating lease expense with interest expense on lease liabilities. Changes in the fair value of the ROU asset are also now being recorded.

Land lease commitment at December 31, 2018	$ 126,374
Additional land lease commitments upon transition[(1)]	16,782
Total land lease liability commitments	143,156
Discounted using the incremental borrowing rate at January 1, 2019	(82,586)
Land lease liabilities recognized at January 1, 2019	$ 60,570

[(1)] Land lease commitments upon transition represent those leases that, in the opinion of management, will be renewed for terms beyond the current contractual commitments based on the estimated useful lives of the investment properties occupying the leased land.

When measuring lease liabilities for leases that were classified as operating leases, the Trust discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied was 4.67%.

(ii) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12, *Income taxes* when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. IFRIC 23 requires the Trust to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution, and to determine if it is probable that the tax authorities will accept the uncertain tax treatment or, if it is not probable that the uncertain tax treatment will be accepted, measure the uncertainty based on the most likely amount or expected value, depending on which method better predicts the resolution of the uncertainty. The Trust has adopted IFRIC 23 in its condensed interim consolidated financial statements for the annual period beginning January 1, 2019. The adoption of IFRIC 23 has not had a material impact on the condensed interim consolidated financial statements.

(n) Future Changes in Accounting Policies

(i) Hedge Accounting

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, as well as the related Standard on disclosures, IFRS 7 Financial Instruments: Disclosures in relation to Phase 1 of IBOR Reform and its Effects on Financial Reporting project. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform in the following areas: the 'highly probable' requirement, prospective assessments, retrospective assessments (for IAS 39), and eligibility of risk components. The amendments are effective from January 1, 2020. The Trust does not expect the amendments to have an impact on the consolidated financial statements.

(ii) Conceptual Framework

On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS

Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. Some Standards include references to the 1989 and 2010 versions of the Framework. The IASB has published a separate document which contains consequential amendments to affected Standards so that they refer to the new Framework, with the exception of IFRS 3 Business Combinations which continues to refer to both the 1989 and 2010 Frameworks. Both documents are effective from January 1, 2020. The Trust does not expect the revisions to have an impact on the consolidated financial statements.

(iii) Definition of Material (Amendments to IAS 1 and IAS 8)

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective for annual periods beginning on or after January 1, 2020. The Trust does not expect the amendments to have an impact on the consolidated financial statements.

(iv) Definition of a Business (Amendments to IFRS 3)

On October 22, 2018, the IASB issued amendments to IFRS 3 Business Combinations that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The Trust does not expect the amendments to have an impact on the consolidated financial statements.

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

4. Acquisition of Plazacorp - Shediac Limited Partnership & Northwest Plaza Commercial Trust

On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own. The units were purchased by the Trust through the payment of $14.3 million in cash consideration. The purchases have been accounted for as asset acquisitions. Unitholder debt outstanding in Northwest Plaza Commercial Trust in the amount of $859 thousand was also repaid by the Trust as part of the transaction. The two entities were previously included in investments and accounted for on an equity basis and fair value basis, respectively.

The following table summarizes the consideration paid and the estimated fair value of the net assets.

	(At 100%)
Investment properties	$ 42,129
Cash	739
Receivables	125
Prepaid expenses and deposits	11
Deferred financing charges	162
Mortgages payable	(23,646)
Mortgages payable – mark to market	(739)
Accounts payable and accrued liabilities	(355)
Fair value of net assets	$ 18,426

Consideration satisfied by:	
Cash paid for 90% of the issued and outstanding units	$ 14,296
Cash paid to discharge unitholder debt	859
10% of investment already owned	3,271
Total consideration	$ 18,426

Concurrent with this transaction, the Trust sold a 50% co-ownership interest in the two underlying properties, namely, Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, to a Canadian pension fund for gross proceeds of $20.5 million ($8.6 million after assumption of 50% of the existing mortgages by the purchaser).

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

5. Investment Properties

	December 31, 2019				December 31, 2018		
	Income producing properties	**Properties under development**	**Right-of-use land lease assets[(2)]**	**Total**	Income producing properties	Properties under development	Total
Balance, beginning of the period:	**$ 935,779**	**$ 52,861**	**$ -**	**$ 988,640**	$ 905,964	$ 53,654	$ 959,618
Right-of-use land lease assets (Note 5 (f))	**-**	**-**	**60,570**	**60,570**	-	-	-
Additions (deductions):							
Additions to investment properties	**5,788**	**21,872**	**-**	**27,660**	2,169	24,035	26,204
Acquisitions of investment properties and land	**12,650**	**-**	**-**	**12,650**	54,678	24,328	79,006
Disposals[(1)]	**(20,377)**	**-**	**-**	**(20,377)**	(48,847)	(8,647)	(57,494)
Transfers	**38,377**	**(38,377)**	**-**	**-**	44,527	(44,527)	-
Straight line rent receivable change	**(25)**	**86**	**-**	**61**	(409)	120	(289)
Investment properties held for sale (Note 5 (g))	**(609)**	**-**	**-**	**(609)**	-	-	-
Change in fair value – income producing and under development	**19,743**	**(995)**	**-**	**18,748**	(22,303)	3,898	(18,405)
Change in fair value – right-of-use land lease assets	**-**	**-**	**(663)**	**(663)**	-	-	-
Balance, end of the period:	**$ 991,326**	**$ 35,447**	**$ 59,907**	**$ 1,086,680**	$ 935,779	$ 52,861	$ 988,640

(1) Cash received from disposals as per the statement of cash flows of $16.3 million is net of notes and advances receivable of $4.1 million assumed by the purchasers. Cash received in the prior year as per the statement of cash flows of $40.9 million is net of $16.5 million of mortgages assumed by the purchasers.

(2) The new IFRS 16, *Leases* standard is effective January 1, 2019 and has been applied prospectively. Prior year balances have not been restated.

The majority of the Trust's income producing properties and properties under development have been pledged as security under various debt agreements.

Investment properties are stated at fair value using either external appraisals or an internal approach:

(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 is based on these external appraisals. Of the total fair value in the chart above, $290 million of investment properties was based on such external appraisals (December 31, 2018 - $87 million).

(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.

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

As at December 31, 2019 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	73	6.57%	5.50% - 9.00%	6.00% - 9.50%
Quick Service Restaurant	92	6.64%	5.50% - 9.50%	6.00% - 11.50%
Anchored Open-Air Centre – Class A	14	7.06%	6.25% - 8.75%	6.25% - 9.50%
Anchored Open-Air Centre – Class B	36	7.14%	6.00% - 9.00%	6.75% - 10.50%
Unanchored Open-Air Centre	37	7.76%	5.75% - 9.50%	6.25% - 11.50%
Enclosed Malls – Community	3	7.77%	8.00% - 10.00%	7.75% - 11.50%
	255	7.07%		

(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 quick-service restaurant.

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

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

Unanchored Open-Air Centre - defined as an unanchored retail open-air centre 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, 2019 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 $38.0 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $35.4 million.

As at December 31, 2018 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	73	6.67%	5.50% - 9.00%	6.00% - 9.50%
Quick Service Restaurant	104	7.07%	5.50% - 9.50%	6.00% - 11.50%
Anchored Open-Air Centre – Class A	14	7.06%	6.25% - 8.75%	6.25% - 9.50%
Anchored Open-Air Centre – Class B	34	7.32%	6.00% - 9.00%	6.75% - 10.50%
Unanchored Open-Air Centre	37	8.00%	5.75% - 9.50%	6.25% - 11.50%
Enclosed Malls – Community	4	8.31%	8.00% - 10.00%	7.75% - 11.50%
	266	7.25%		

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

(a) Straight-line Rent

Included in investment properties at December 31, 2019 is $12.0 million (December 31, 2018 - $11.9 million) of straight-line rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease terms in accordance with IFRS 16, *Leases*.

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

(b) Surplus Land

Included in investment properties at December 31, 2019 is $2.3 million of surplus lands at fair value (December 31, 2018 - $1.2 million).

(c) Borrowing Costs

The total amount of borrowing costs capitalized for the period ended December 31, 2019 is $640 thousand (for the year ended December 31, 2018 - $587 thousand).

(d) Acquisitions of Investment Properties and Land

Properties Acquired	**% Acquired**	**Year ending December 31, 2019[(1)]**	Year ending December 31, 2018[(1)]
Tri-City Centre, Cambridge, ON	**50%**	**$ 12,650**	$ -
1000 Islands Plaza, Brockville, ON	**100%**	**-**	14,322
Land – 595 & 645 Taunton Rd, Oshawa, ON	**100%**	**-**	2,450
Northumberland Square, Miramichi, NB	**50%**	**-**	5,025
58, 60, & 62 Lombard St, Smith Falls, ON	**75%**	**-**	1,820
Land - Chicoutimi, QC	**50%**	**-**	380
Land - Moncton, NB	**100%**	**-**	330
Quispamsis Town Centre, Quispamsis, NB	**50%**	**-**	12,550
Acquisitions of investment properties and land		**$ 12,650**	$ 36,877

(1) Including closing costs

During the year ended December 31, 2018, the Trust also acquired a 100% interest in Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB for $42.1 million through the purchase of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own (the “Transaction”). Net of assumption of debt, working capital and the existing ownership interest, the remaining units were purchased for total cash consideration of $14.3 million. See Note 4 for further details.

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

(e) Disposals

Properties Disposed	**% Disposed**	**Net Proceeds Year Ending December 31, 2019**	Net Proceeds Year Ending December 31, 2018
Quispamsis Town Centre, Quispamsis, NB[1]	**50%**	**$ 2,245**	$ -
Quick Service Restaurants and Single Tenant Assets - Coldbrook, NS, Halifax, NS, London, ON, Ottawa, ON, Paris, ON, Laval, QC, Longueiul, QC, and Montreal, QC	**100%**	**6,645**	-
Winnipeg, MB portfolio – five properties	**100%**	**6,900**	-
Land – Sherbrooke, QC	**50%**	**475**	-
Quick Service Restaurants – Halifax, NS, Ottawa, ON, Perth, ON, Lachine, QC, and Pointe Aux Trembles, QC	**100%**	**-**	4,232
998 Parkland Dr, Halifax, NS	**100%**	**-**	3,450
Alberta portfolio – eight properties	**100%**	**-**	11,774
7550-7600 rue Beclard, Montreal, QC	**100%**	**-**	10,310
Shediac West Plaza, Shediac, NS and Northwest Centre, Moncton, NB[2]	**50%**	**-**	8,595
1000 Islands Plaza, Brockville, ON[3]	**50%**	**-**	2,529
Surplus Land[4]	**100%**	**-**	86
Total disposals		**$ 16,265**	$ 40,976

(1) The Trust sold a 50% co-ownership interest in a property located in Quispamsis, NB for net proceeds of $6.4 million, $2.2 million after assumption of notes and advances and receivables for the purchaser's 50% interest of the existing line of credit on the property.

(2) Concurrent with the Transaction (noted in (d) above), the Trust sold a 50% co-ownership interest in Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, for gross proceeds of $20.5 million ($8.6 million after assumption of 50% of the existing mortgages). See Note 4 for further details.

(3) The Trust sold a 50% co-ownership interest in its redevelopment property in Brockville, ON for gross proceeds of $7.2 million ($2.5 million after assumption of 50% of the existing mortgage).

(4) Small parcels of surplus land located in Campbellton, NB, Miramichi, NB and Charlottetown, PE were sold in 2018.

(f) Right-of-use land lease assets

Effective January 1, 2019, the Trust implemented the new IFRS 16, *Leases* standard. This standard required lessees to bring most leases on their statement of financial position. The Trust has investment properties located on land which is leased. A right-of-use asset has been recorded effective January 1, 2019 to recognize these assets. IFRS 16 has been implemented prospectively and therefore prior year comparatives have not been restated. The Trust has 27 long-term land leases (affecting 26 properties). Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 35 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 60 years including these non-automatic renewal options.

(g) Investment properties held for sale

The Trust has segregated an investment property held for sale of $609 thousand located in Neufchatel, QC at December 31, 2019 (December 31, 2018 – nil). The sale closed on January 24, 2020.

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

6. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	December 31, 2019	December 31, 2018
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	**$ 12,237**	$ 10,948
Trois Rivières Limited Partnership	15%	10%	30%	**2,825**	2,640
VGH Limited Partnership	20%	8%	27%	**1,912**	2,301
Plazacorp Ontario1 Limited Partnership	25%	8%	25%	**2,179**	2,281
Plazacorp Ontario2 Limited Partnership	50%	-	-	**3,972**	3,619
Plazacorp Ontario3 Limited Partnership	50%	-	-	**2,139**	2,032
Plazacorp Ontario4 Limited Partnership	50%	-	-	**1,613**	1,590
RBEG Limited Partnership	50%	-	-	**2,387**	2,710
CPRDL Limited Partnership	50%	-	-	**2,224**	2,091
Fundy Retail Ltd.	50%	-	-	**556**	1,701
Ste. Hyacinthe Limited Partnership	25%	-	-	**224**	185
144 Denison East Limited Partnership	25%	-	-	**440**	529
The Shoppes at Galway Limited Partnership	50%	-	-	**16,416**	11,987
Total investments				**$ 49,124**	$ 44,614

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.

For the year ended December 31, 2019 the Trust received $1.7 million of distributions (for the year ended December 31, 2018 - $1.3 million) from equity accounted investments, and an additional $3.9 million in distributions relating to proceeds from financing (for the year ended December 31, 2018 – nil). For the year ended December 31, 2019 the Trust made $8.9 million in contributions to its equity accounted investments (for the year ended December 31, 2018 - $5.2 million).

On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own. See Note 4 for further details.

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

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

	December 31, 2019	December 31, 2018
	Equity accounted investments	Equity accounted investments
Cash	**$ 4,714**	$ 5,713
Current assets	**$ 2,507**	$ 3,871
Long term assets	**$ 315,243**	$ 283,241
Current liabilities	**$ 4,273**	$ 7,736
Long term liabilities	**$ 157,789**	$ 136,024
Revenues	**$ 22,766**	$ 21,754
Expenses	**$ (13,215)**	$ (12,650)
Fair value gain (loss)	**$ 2,336**	$ (5,924)
Profit	**$ 11,887**	$ 3,180

7. Receivables

Receivables consist of the following:

	December 31, 2019	December 31, 2018
Tenant accounts receivable, net of allowance	**$ 1,249**	$ 1,416
Excise tax	**667**	421
Holdback receivable	**949**	500
Other receivables	**1,420**	1,061
Total receivables	**$ 4,285**	$ 3,398

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis using an expected credit loss model 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. The allowance for doubtful accounts balance at December 31, 2019 is $358 thousand (December 31, 2018 - $46 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the period ended December 31, 2019 (for the year ended December 31, 2018 – nil).

8. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2019	December 31, 2018
Prepaid expenses	**$ 2,224**	$ 2,138
Deposits for acquisitions and financings	**3,159**	1,252
Total prepaid expenses and deposits	**$ 5,383**	$ 3,390

9. 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.

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

10. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	**Interest Rate**	**December 31, 2019**	December 31, 2018
Convertible				
Series E[1]	March 31, 2023	5.10%	**$ 48,739**	$ 44,892
Series VII	June 30, 2021	5.50%	**5,673**	5,226
Total convertible debentures			**54,412**	50,118
Non-convertible[2] [3]	Various (see below)	5.00%	**9,778**	9,717
Total debentures payable – long-term portion			**$ 64,190**	$ 59,835

[1] Recorded at fair value based on closing market trading prices of the debentures; the fair value change of the total convertible debentures during 2019 was a loss of $4.3 million (for the year ended December 31, 2018 – gain of $3.0 million)
[2] Recorded at amortized cost
[3] Net of unamortized finance charges of $82 thousand (December 31, 2018 - $143 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series E	Series VII
Conversion price	$5.65	$6.04
Trust’s first redemption date	April 1, 2021	June 30, 2019
Par call date	April 1, 2022	June 30, 2020
Maturity date	March 31, 2023	June 30, 2021
Face value outstanding	$47,250	$5,500
Publicly listed	yes	no

Non-convertible debenture maturities are as follows:

	Series I	Series II	Total
Face value outstanding	$3,860	$6,000	$9,860
Maturity date	May 2, 2021	February 28, 2022	

On February 21, 2018, the Trust completed a public offering of $45 million aggregate principal amount of Series E 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 were used to redeem the $34 million 5.75% Series D convertible unsecured subordinated debentures on March 27, 2018, with the remainder of the proceeds used to repay amounts outstanding on the Trust’s operating line of credit.

In 2018, the Trust extended $3.9 million of the $4.0 million of tranched Series I non-convertible debentures to May 2, 2021 on the same terms and conditions.

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

11. Mortgage Bonds Payable

Mortgage bonds payable are secured by various properties:

	December 31, 2019				December 31, 2018
	Series X	**Series XI**	**Series XII**	**Total**	Total
Various properties, 1st mortgage	$ 6,000	$ -	$ -	**$ 6,000**	$ 6,000
Various properties, 1st mortgage	-	-	-	**-**	6,000
Various properties, 1st mortgage	-	-	3,000	**3,000**	3,000
Gross mortgage bonds payable	6,000	-	3,000	**9,000**	15,000
Less: unamortized finance charges				**(63)**	(137)
Net mortgage bonds payable				**8,937**	14,863
Less: current portion of mortgage bonds payable				**(5,987)**	(5,970)
Net mortgage bonds payable – long-term portion				**$ 2,950**	$ 8,893

	Series X	**Series XII**
Interest Rate	5.00%	5.50%
Maturity Date	June 25, 2020	July 15, 2022
Amount	$6,000	$3,000

The Series X 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.

On July 8, 2019, the $6.0 million Series XI mortgage bonds matured and were repaid.

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

12. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	December 31, 2019	December 31, 2018
Secured fixed rate loans:	2.47% - 7.00%	4.44%	Up to June 2034	**$ 473,135**	$ 438,669
Unsecured interest-only fixed rate loans:	5.00%	5.00%	Up to May 2024	**7,443**	6,643
Fair value of interest rate swap				**354**	136
Revaluation of loans upon acquisitions, net of amortization of $6,164 (December 31, 2018 - $6,022)				**609**	751
Less: unamortized finance charges				**(2,638)**	(2,124)
Total net fixed rate loans				**478,903**	444,075
Variable rate loans:					
- $20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2020	**-**	11,579
- $15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2020	**8,924**	4,885
- $6.6 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.75%		May 31, 2020	**6,560**	1,950
- $7.45 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		January 10, 2020	**-**	5,988
- $1.2 million unsecured interest-only loan	Prime plus 1.05% (min. 5.00% rate)		January 15, 2024	**1,171**	-
- $10.08 million secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.25%		April 24, 2021	**8,855**	-
Less: unamortized finance charges				**(60)**	(139)
Total net variable rate loans				**25,450**	24,263
Net mortgages payable				**504,353**	468,338
Less: mortgages payable – current portion				**(90,228)**	(68,471)
Total mortgages payable – long-term portion				**$ 414,125**	$ 399,867

All mortgages and facilities 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%. At December 31, 2019 there is $26.1 million available on these development facilities (December 31, 2018 - $18.5 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, 2019 the Trust is in compliance with all financial covenants.

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 was set to mature on August 13, 2023 and had been recorded at fair value. In May 2019, the mortgage was discharged and the interest rate swap was settled at a cost of $176 thousand.

During 2019, the Trust entered into four new mortgages that utilize interest rate swaps in order to fix the variable interest rate. The interest rate swaps mature in May, June and August 2029 and are recorded at fair value.

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

13. Bank Indebtedness

The Trust has a $44.0 million (December 31, 2018 - $44.0 million) revolving operating line of credit facility with a Canadian chartered bank at the rate of prime plus 0.75% or BA plus 2.00%, maturing July 31, 2020. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at December 31, 2019, the available limit was $44.0 million of which $17.3 million (December 31, 2018 – $35.6 million) was drawn and therefore the maximum amount available to be drawn on the facility was $26.2 million (December 31, 2018 – $7.5 million), net of letters of credit outstanding of $503 thousand (December 31, 2018 - $869 thousand). As security, at December 31, 2019, the Trust has provided a $50.0 million demand debenture secured by a first mortgage over forty properties.

14. Land Lease Liabilities

Effective January 1, 2019, the Trust implemented the new IFRS 16, *Leases* standard. This standard required lessees to bring most leases on their statement of financial position. The Trust has investment properties located on land which is leased. A liability has been recorded effective January 1, 2019 to recognize these assets. IFRS 16 has been implemented prospectively and therefore prior year comparatives have not been restated. The Trust has 27 long-term land leases (affecting 26 properties). Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 35 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 60 years including these non-automatic renewal options.

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

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

	December 31, 2019	December 31, 2018
Accounts payable and accrued liabilities	**$ 11,035**	$ 8,183
Distributions payable	**2,412**	2,427
Excise tax payable	**1,328**	1,050
Accrued interest payable	**2,374**	2,328
Deferred tenant revenue and deposits	**4,125**	3,216
Other	**349**	479
Total accounts payable, accrued liabilities, tenant payables and tenant deposits	**$ 21,623**	$ 17,683

16. Notes Payable

Notes payable consist of the following:

	Interest Rate	**December 31, 2019**	December 31, 2018
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	**1,195**	1,080
Total notes payable		**$ 1,456**	$ 1,341

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

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

17. Income Taxes

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

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

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

	December 31, 2019	December 31, 2018
Deferred income tax assets		
Tax loss carry-forwards of subsidiaries	**$ 364**	$ 461
Deferred income tax liabilities		
Income producing properties	**7,247**	7,078
Net deferred income tax liability	**$ 6,883**	$ 6,617

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)*.

	2019	2018
Cash distributions declared	**$ 28,686**	$ 28,646
Required cash distributions to ensure no Part I tax	**14,616**	15,453
Total discretionary cash distributions	**$ 14,070**	$ 13,193

18. Revenues

	2019	2018
Contractual revenue	**$ 73,910**	$ 73,336
Straight-line rent	**78**	(228)
Property tax and insurance recoveries	**20,513**	19,502
Cost recovery revenue	**11,726**	11,013
Lease buyout revenue	**5,963**	-
Other revenue	**271**	394
Total property revenues	**$ 112,461**	$ 104,017

19. Operating Expenses

	2019	2018
Property taxes and insurance	**$ 22,338**	$ 21,595
Recoverable expenses	**15,054**	14,089
Non-recoverable expenses	**2,342**	4,409
Total operating expenses	**$ 39,734**	$ 40,093

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

20. Administrative Expenses

	2019	2018
Salaries and benefits	**$ 7,030**	$ 6,435
Professional services	**1,272**	1,112
Office expenses	**1,603**	1,840
Total administrative expenses	**$ 9,905**	$ 9,387

Total employee salaries and benefits recorded by the Trust during the period were $13.1 million, of which $4.5 million is included in operating expenses, $7.0 million is included in administrative expenses and $1.6 million has been capitalized to investment properties (for the year ended December 31, 2018 – $12.5 million, of which $4.6 million is in operating expenses, $6.4 million is in administrative expenses and $1.5 million is in investment properties).

21. Finance Costs

	2019	2018
Mortgage interest	**$ 21,461**	$ 20,280
Debenture interest	**3,204**	3,325
Mortgage bond interest	**646**	765
Distributions paid to Class B exchangeable LP unitholders	**334**	351
Operating line of credit interest	**1,235**	1,196
Interest and bank charges	**274**	424
Amortization of finance charges	**758**	1,010
Loan defeasance and early mortgage discharge fees	**134**	240
Imputed interest on land lease liabilities	**2,254**	-
Mark to market amortization	**(142)**	(252)
Capitalization of interest	**(640)**	(587)
Total finance costs	**$ 29,518**	$ 26,752

22. 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 LP unit equal to distributions per unit provided to the unitholders of the Trust.

	December 31, 2019		December 31, 2018	
	Units (000s)	**Amount**	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the period	**1,191**	**$ 4,622**	1,266	$ 5,393
Exchanges	**-**	**-**	(75)	(314)
Fair value adjustment for the period	**-**	**822**	-	(457)
Exchangeable LP units outstanding, end of the period	**1,191**	**$ 5,444**	1,191	$ 4,622

(ii) Special Voting Units

At December 31, 2019, there were 1,191,000 (December 31, 2018 - 1,191,000) special voting units outstanding, issued in connection with 1,191,000 (December 31, 2018 - 1,191,000) Class B exchangeable LP units of a subsidiary of the Trust (see above).

(iii) Units

	December 31, 2019		December 31, 2018	
	Trust Units (000s)	**Amount**	Trust Units (000s)	Amount
Units outstanding, beginning of the period	**102,824**	**$ 278,058**	101,610	$ 273,158
Issuance of units:				
Exchange of Class B exchangeable LP units	**-**	**-**	75	314
Distribution reinvestment plan	**-**	**-**	1,101	4,433
RU plan	**59**	**273**	38	153
Repurchase and cancellation of units under normal course issuer bid	**(712)**	**(1,925)**	-	-
Units outstanding, end of the period	**102,171**	**$ 276,406**	102,824	$ 278,058

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, 2019 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan ("DRIP"), which was suspended until further notice commencing with the payment of the October 2018 distribution, and unitholders enrolled in the DRIP began receiving distribution payments in cash. Prior to its suspension, the DRIP enabled 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 were 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 received "bonus units" in an amount equal to 3% of the distribution amount reinvested. If the Trust elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of reinstatement, will automatically resume participation in the DRIP.

On September 26, 2019, the Trust announced that it had received approval from the TSX for the renewal of its normal course issuer bid ("NCIB") for a further year. The period of the renewed NCIB commenced on September 28, 2019, with purchases able to be made as at the open of markets on September 30, 2019, and will conclude on the earlier of the date on which purchases under the bid have been completed and September 27, 2020. Under the terms of the renewed NCIB, the Trust can purchase up to 8,096,331 of its issued and outstanding units through the facilities of the TSX and any alternative trading system in Canada. Subject to certain prescribed exemptions and any block purchase made in accordance with the rules of the TSX, daily purchases made by the Trust may not exceed 12,433 units, representing 25% of the average daily trading volume of the units on the TSX for the six-month period ended August 31, 2019 (being 49,733 units). All units that are purchased under the renewed NCIB will be cancelled (on a monthly basis, on or before the record date for each monthly distribution). Unitholders may obtain a copy of the NCIB renewal notice, without charge, by contacting the Trust.

Plaza also entered into a new automatic securities purchase plan agreement (the "Plan") with its designated broker in order to facilitate purchases of units under the renewed NCIB. The Plan, which was pre-cleared by the TSX, allows for purchases of units by Plaza at times when it would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. The Plan will terminate on September 27, 2020.

Under its previous NCIB, which expired on September 27, 2019, Plaza purchased a total of 579,389 units at a weighted average price of $4.1984 per unit. Plaza has purchased 142,300 units to date under the renewed NCIB at a weighted average price of $4.5128, resulting in a total of 721,689 units being repurchased for cancellation for the year ended December 31, 2019.

23. Restricted Share Unit Plan and Deferred Unit Plan

The Trust has a Restricted Unit Plan ("RU 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 Units ("RUs") may be granted from time to time on a discretionary basis by the Administrator (the Governance and Compensation Committee of the Board of Trustees). Each RU notionally represents a unit in the Trust. Each RU credited to a participant shall receive a distribution of additional RUs equal to the amount of distributions paid per unit by the Trust on its units ("Distribution RUs"). The number of Distribution RUs 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 RUs divided by the volume weighted average closing price of units for the five trading days immediately preceding such applicable day. The Distribution RUs are granted immediately following any distribution payment date, vest at the same time as and are redeemed on the same basis as the underlying RUs. The RUs 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, the RUs are exchanged for units, net of any applicable withholding taxes. At December 31, 2019, the maximum number of units that may be issued under the RU Plan upon the redemption of RUs and Distribution RUs is 5,669,957. A total of 488,813 RUs have been granted under the RU Plan since inception. For the year ended December 31, 2019, compensation expense of $482 thousand (for the year ended December 31, 2018 - $436 thousand) has been recognized in respect of the RUs.

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

	December 31, 2019	December 31, 2018
Restricted units outstanding, beginning of the period	**195,120**	169,769
Granted	**-**	100,035
Vested	**(106,129)**	(72,518)
Forfeited	**(4,032)**	(2,166)
Restricted units outstanding, end of the period	**84,959**	195,120

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 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. At December 31, 2019, a total of 136,359 DUs have been granted or issued under the DU Plan since inception and for the year ended December 31, 2019, compensation expense of $234 thousand was recorded (for the year ended December 31, 2018 - $100 thousand).

	December 31, 2019	December 31, 2018
Deferred units outstanding, beginning of the period	**100,427**	67,947
Granted	**9,456**	9,926
Trustee fees taken as deferred units	**18,899**	17,150
Distributions paid on deferred units taken as additional deferred units	**7,577**	5,404
Deferred units outstanding, end of the period	**136,359**	100,427

24. Distributions

Distributions are declared monthly at the discretion of the Board.

	2019	2018
Distributions paid to unitholders	**$ 28,686**	$ 28,646
Distribution reinvestment proceeds	**-**	(4,438)
Cash distributions paid to unitholders	**$ 28,686**	$ 24,208

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

25. Additional Cash Flow Information

(a) Changes in Non-Cash Working Capital

	December 31, 2019	December 31, 2018
Receivables	**$ (887)**	$ 1,186
Prepaid expenses and deposits	**(86)**	150
Change in construction accruals removed from investing activities	**(991)**	(737)
Accounts payable, accrued liabilities, tenant payables and tenant deposits	**4,111**	1,602
Total cash from change in non-cash working capital	**$ 2,147**	$ 2,201

(b) Changes in Liabilities Arising from Financing Activities

	December 31, 2019	December 31, 2018
Current and long-term debt[1] [2] – beginning of the period	**$ 609,569**	$ 515,933
Gross proceeds from mortgage bonds and debentures	**-**	48,655
Redemption/repayment of mortgage bonds and debentures	**(6,000)**	(35,545)
Periodic mortgage principal repayments	**(10,795)**	(10,730)
Land lease principal repayments	**(663)**	-
Mortgages repaid	**(92,953)**	(38,783)
Gross mortgage proceeds	**139,949**	65,373
Fees incurred for placement of debt	**(1,059)**	(533)
Increases (decreases) in notes payable	**115**	(83)
Non-cash changes in current and long-term debt:		
Mortgages assumed on acquisition	**-**	23,646
Mortgages assumed by purchasers on sale of investment properties	**-**	(16,519)
Deferred finance charges assumed on acquisition	**-**	(162)
Deferred finance charges written off on sale of investment properties	**-**	82
Net change in fair value of Class B exchangeable LP units	**822**	(457)
Net change in fair value of interest rate swaps	**392**	(39)
Net change in fair value of convertible debentures	**4,294**	(3,022)
Exchanges of Class B exchangeable LP units	**-**	(314)
Amortization of finance charges	**758**	1,010
Mark to market on assumption of debt	**-**	739
Mark to market amortization	**(142)**	(252)
Current and long-term debt[1] – end of the period	**$ 644,287**	$ 548,999

[1] Debt defined for this purpose as mortgage bonds, debentures, mortgages payable, notes payable, Class B exchangeable LP units and land lease liabilities.

[2] Opening debt on January 1, 2019 includes the land lease liabilities of $60.6 million booked under new accounting pronouncements on a prospective basis (see Note 14).

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

26. 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, 2019	December 31, 2018
Earl Brewer (Chair of the Board and trustee)	**$ 325**	$ 450
Stephen Johnson (trustee)	**200**	300
Michael Zakuta (President, Chief Executive Officer and trustee)	**-**	100
Total	**$ 525**	$ 850

No other trustee or key management personnel own mortgage bonds of the Trust at December 31, 2019 (December 31, 2018 - $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. The notes are repayable on sale or refinancing of the related asset.

	December 31, 2019	December 31, 2018
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta.	**$ 261**	$ 261

(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 market rates, with a total annual rent of $1.2 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, 2019 there is a $28 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2018 - $60 thousand). For the twelve months ended December 31, 2019, property management, development, financing and leasing fees of $158 thousand were earned by a subsidiary of the Trust from this property (for the twelve months ended December 31, 2018 - $212 thousand). For the year ended December 31, 2019 there were no amounts owing to the Trust. The $405 thousand note receivable owing to the Trust at December 31, 2018, relating to short-term funding requirements for the construction of a retail pad on the property was repaid during the first quarter of 2019.

(iii) Until January 31, 2018, Earl Brewer and Michael Zakuta, directly or indirectly, held 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. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own (see Note 4). A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, development and leasing fees of $18 thousand were earned by a subsidiary of the Trust from this property.

(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. The Trust pays no basic minimum rent for the space.

(v) 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, 2019 there is $5.9 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2018 - $5.6 million). As well, there is a $13 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2018 - $5 thousand). For the twelve months ended December 31, 2019, property management, leasing, development and financing fees of $181 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2018 - $453 thousand).

(vi) Until January 31, 2018, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Shediac West Plaza, Shediac, NB. A subsidiary of the Trust manages the property. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp – Shediac Limited Partnership that it did not already own (see Note 4). A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, leasing and development fees of $2 thousand were earned by a subsidiary of the Trust from this property.

(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, 2019, property management fees of $5 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2018 - $5 thousand).

(viii) 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, 2019 there is a $9 thousand accounts receivable balance owing to the Trust for property management, development and leasing fees (December 31, 2018 - $5 thousand). For the twelve months ended December 31, 2019, property management, leasing and development fees of $144 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2018 - $168 thousand).

(ix) 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, 2019, property management fees of $32 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2018 - $32 thousand).

(x) Earl Brewer, Denis Losier 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, 2019 there is a $16 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2018 - $9 thousand). For the twelve months ended December 31, 2019, property management, leasing and development fees of $239 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2018 – $125 thousand).

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

(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, 2019 and 2018 was as follows:

	2019	2018
Salaries and benefits	**$ 2,494**	$ 1,906
Share-based payments – including DUs and RUs	**301**	170
Total key management personnel compensation	**$ 2,795**	$ 2,076

During the year ended December 31, 2019 a retiring allowance of $678 thousand was recorded with $598 thousand remaining payable (December 31, 2018 – nil).

(e) Significant Subsidiaries

	Ownership Interest	
	December 31, 2019	December 31, 2018
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%
Plaza Tacoma Limited Partnership	**100%**	100%
Plazacorp Shediac Limited Partnership	**100%**	100%[1]
Northwest Plaza Commercial Trust	**100%**	100%[1]

[1] Purchased remaining 90% interest as of January 31, 2018.

27. 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, 2019	December 31, 2018
Cash	**$ 6,214**	$ 4,492
Current assets	**$ 2,195**	$ 1,519
Long term assets	**$ 254,736**	$ 214,546
Current liabilities	**$ 21,526**	$ 8,726
Long term liabilities	**$ 138,023**	$ 124,235
Revenues	**$ 28,426**	$ 24,811
Expenses	**$ (17,817)**	$ (16,541)
Fair value gain	**$ 13,064**	$ 3,131

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

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, 2019	December 31, 2018
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%
SBT Chicoutimi, QC	**50%**	50%
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%**	50%
Starrs Road Plaza, NS	**50%**	50%
Welton Street Plaza, NS	**50%**	50%
Scott Street Plaza, ON	**50%**	50%
St. Josephs Boulevard, ON	**50%**	50%
Civic Centre Road, ON	**50%**	50%
Ontario Street Port Hope, ON	**50%**	50%
Dufferin and Wilson, ON	**50%**	50%
615 King Street, ON	**50%**	50%
Park Street Plaza, ON	**20%**	20%
Mountainview Plaza, ON	**20%**	20%
Eastcourt, ON	**50%**	50%
Timiskaming, ON	**50%**	50%
6685 Century Ave, ON	**50%**	50%
1000 Islands Plaza (Brockville), ON	**50%**	50%
Tri-City Centre, ON	**50%**	-
KGH Plaza, NB	**25%**	25%
681 Mountain Road, NB	**25%**	25%
201 Main Street - Sussex, NB	**25%**	25%
Boulevard Hebert Plaza, NB	**50%**	50%
Victoria Street Plaza, NB	**50%**	50%
Connell Road Plaza, NB	**50%**	50%
Madawaska Road Plaza, NB	**50%**	50%
Grand Falls Shopping Centre, NB	**50%**	50%
Northwest Centre, NB	**50%**	50%
Shediac West Plaza, NB	**50%**	50%
Quispamsis Town Centre, NB	**50%**	100%
The Village Shopping Centre, NL	**50%**	50%

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

28. 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, 2019, there were no letters-of-credit issued and outstanding (December 31, 2018 – 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, 2019, there were no letters-of-credit issued and outstanding (December 31, 2018 – nil).

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, 2019, letters-of-credit in the amount of $503 thousand were issued and outstanding (December 31, 2018 - $869 thousand).

(b) Commitments

The Trust's estimated commitments at December 31, 2019 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	After 5 Years	Face Value Total
Mortgages – periodic payments	$ 11,243	$ 9,887	$ 9,685	$ 8,257	$ 7,951	$ 29,994	$ 77,017
Mortgages – due at maturity	63,502	28,646	38,347	24,664	34,425	206,534	396,118
Development lines of credit	8,924	-	-	-	-	-	8,924
Construction loans	6,560	8,855	-	-	-	-	15,415
Unsecured interest-only loans	-	-	-	5,643	2,971	-	8,614
Bank indebtedness	17,339	-	-	-	-	-	17,339
Mortgage bonds payable	6,000	-	3,000	-	-	-	9,000
Debentures [(1)]	-	9,360	6,000	47,250	-	-	62,610
Land leases [(2)]	2,958	2,974	2,962	2,928	2,965	108,670	123,457
Development activities	9,084	-	-	-	-	-	9,084
Total contractual obligations	**$ 125,610**	**$ 59,722**	**$ 59,994**	**$ 88,742**	**$ 48,312**	**$ 345,198**	**$ 727,578**

(1) Stated at face value.
(2) Land leases expire on dates ranging from 2022 to 2084 (including automatic renewal periods) with non-automatic renewal options ranging from 5 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, 2019 a $4.8 million commitment (December 31, 2018 - $5.1 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 3.1 years (December 31, 2018 - 4.1 years). As well, at December 31, 2019 a $6.8 million commitment (December 31, 2018 – $8.7 million) relating to the mortgages on six assets (December 31, 2018 – 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 5.6 years (December 31, 2018 – 5.4 years). At December 31, 2019 a $4.1 million commitment (December 31, 2018 - $4.2 million) relating to the mortgage of an asset sold in 2018, with a weighted average remaining term of 4.6 years (December 31, 2018 – 5.6 years).

The Trust is contingently liable for certain obligations of its co-venturers, under guarantees in excess of its ownership percentages for six strip plazas and four free-standing properties. The excess guarantees amount to $15.0 million (December 31, 2018 - $14.7 million). Cross indemnities, are in place for certain of these properties from co-venturers.

(d) Litigation

The Trust is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. 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, 2019 (December 31, 2018 – nil).

29. 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.

A change in interest rates on Plaza's fixed rate instruments at the reporting date would not affect profit or loss. The Trust minimizes its exposure to fixed rate interest risk on its debt 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 (generally 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 has entered into four interest rate swap contracts during 2019 with Canadian chartered banks, in order to convert the mortgages from variable rates to fixed rates. The swaps mature between May and August 2029. The fair value of these contracts results in a liability of $354 thousand at December 31, 2019. There is a risk that interest rates will fluctuate during the terms 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.

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 26, 2025. 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 $65 thousand at December 31, 2019 (December 31, 2018 – $70 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). In May 2019, the mortgage was discharged and the interest rate swap was settled at a cost of $176 thousand. The fair value of this contract resulted in a liability, for the Trust's share, at December 31, 2018 of $136 thousand.

The Trust entered into an interest rate swap with a Canadian chartered bank in connection with a mortgage obtained during 2019 for a property held in an equity-accounted investee. The interest rate swap contract has been recorded at fair value in investments with changes in fair value reflected in share of profit of associates. The fair value of this contract results in a liability, for the Trust's share of $27 thousand at December 31, 2019. 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.

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

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, 2019 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by $429 thousand (for the year ended December 31, 2018 – $600 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 in re-leasing space vacated by tenants. 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 pre-leasing 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 by 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 heavily weighted to national tenants. National and regional tenants comprise 94.6% of the in-place tenant base rent (December 31, 2018 – 94.5%). As well, the Trust maintains a portfolio that is diversified geographically so that exposure to local business is lessened and the Trust limits loans granted under lease arrangements to credit-worthy mainly national tenants.

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. See Note 28(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, 2019**	December 31, 2018
Tenant loans, receivables, and notes and advances receivable	**$ 10,963**	$ 16,665
Cash	**8,845**	7,296
Total	**$ 19,808**	$ 23,961

The Trust's most significant customer, a national retailer, accounts for $131 thousand of tenant loans at December 31, 2019 (December 31, 2018- $156 thousand).

Shoppers Drug Mart/Loblaw represents 25.1% of monthly base rents in place at December 31, 2019, while franchisees of KFC represent 5.5% of monthly base rents in place. The top 10 tenants collectively represent approximately 54.3% 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.

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

(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 (generally 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.

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)	$ 21,623	$ 21,623	$ 21,623	$ -	$ -	$ -	$ -	$ -
Debentures payable	$ 64,190	$ 71,803	$ 3,205	$ 12,285	$ 8,460	$ 47,853	$ -	$ -
Notes payable	$ 1,456	$ 1,456	$ 1,456	$ -	$ -	$ -	$ -	$ -
Bank indebtedness	$ 17,339	$ 17,814	$ 17,814	$ -	$ -	$ -	$ -	$ -
Mortgage bonds payable	$ 8,937	$ 9,583	$ 6,315	$ 165	$ 3,103	$ -	$ -	$ -
Mortgages payable	$504,353	$608,441	$108,815	$ 62,469	$61,854	$50,585	$55,925	$268,793

(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 2.35% (December 31, 2018 – 1.60% to 2.50%). The rate used to determine the fair value of mortgage bonds was 5.0% (December 31, 2018 – 5.0%). The rate used to determine the fair value of non-convertible debentures was 5.50% (December 31, 2018 – 5.50%). 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.

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

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

	Book Value December 31, 2019	**Fair Value December 31, 2019**	Book Value December 31, 2018	Fair Value December 31, 2018
Cash	**$ 8,845**	**$ 8,845**	$ 7,296	$ 7,296
Receivables	**4,285**	**4,285**	3,398	3,398
Notes and advances receivable	**6,038**	**6,038**	12,549	12,549
Tenant loans	**640**	**640**	718	718
Total Financial Assets	**$ 19,808**	**$ 19,808**	$ 23,961	$ 23,961
Bank indebtedness	**$ 17,339**	**$ 17,339**	$ 35,604	$ 35,604
Accounts payable, accrued liabilities, tenant payables and tenant deposits	**21,623**	**21,623**	17,683	17,683
Total net fixed rate mortgage loans	**478,903**	**488,862**	444,075	452,450
Total net variable rate mortgage loans or credit facilities	**25,450**	**25,450**	24,263	24,263
Convertible debentures	**54,412**	**54,412**	50,118	50,118
Non-convertible debentures	**9,778**	**9,688**	9,717	9,578
Mortgage bonds payable	**8,937**	**8,975**	14,863	14,917
Class B exchangeable LP units	**5,444**	**5,444**	4,622	4,622
Notes payable	**1,456**	**1,456**	1,341	1,341
Total Financial Liabilities	**$ 623,342**	**$ 633,249**	$ 602,286	$ 610,576

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, 2019			December 31, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Investment properties	**$ -**	**$ -**	**$ 1,026,773**	$ -	$ -	$ 988,640
Right-of-use land lease asset	**-**	**-**	**59,907**	-	-	-
Investment properties held for sale	**-**	**-**	**609**	-	-	-
	$ -	**$ -**	**$ 1,087,289**	$ -	$ -	$ 988,640
Class B exchangeable LP units	**$ 5,444**	**$ -**	**$ -**	$ 4,622	$ -	$ -
Series E convertible debentures	**48,739**	**-**	**-**	44,892	-	-
Series VII convertible debentures	**-**	**5,673**	**-**	-	5,226	-
Land lease liabilities	**-**	**-**	**59,907**	-	-	-
	$ 54,183	**$ 5,673**	**$ 59,907**	$ 49,514	$ 5,226	$ -

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 5 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.

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

30. 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 $10.08 million construction credit facility which requires maintenance of at least $200 million of unitholders' equity, maximum leverage of 65% and debt coverage ratios in excess of 1.3 times. The Trust is in compliance with all financial debt covenants at December 31, 2019.

There were no changes to the Trust's approach to capital management for the year ended December 31, 2019.

The calculation of the total capital is summarized as follows:

	December 31, 2019	December 31, 2018
Total net fixed rate mortgage loans	**$ 478,903**	$ 444,075
Total net variable rate mortgage loans or credit facilities	**25,450**	24,263
Mortgage bonds payable	**8,937**	14,863
Debentures payable	**64,190**	59,835
Land lease liabilities	**59,907**	-
Bank indebtedness	**17,339**	35,604
Class B exchangeable units	**5,444**	4,622
Notes payable	**1,456**	1,341
	661,626	584,603
Unitholders' equity	**471,448**	451,702
Total	**$ 1,133,074**	$ 1,036,305

31. Subsequent Events

Financings

In February 2020, the Trust obtained new long-term financing for a property located in Mississauga, ON in the amount of $5.75 million with a term of 10 years and an interest rate of 3.75%, at the Trust's ownership percentage of 50%.

Unitholders' Equity

Between January 1st and February 24th, 2020, an additional 68,400 units have been repurchased under the normal course issuer bid at an average unit price of $4.5607.

Distributions and Distribution Reinvestment Plan

The Trust paid a cash distribution of $0.02333 per unit for a total of $2.4 million on January 15, 2020.

The Trust paid a cash distribution of $0.02333 per unit for a total of $2.4 million on February 18, 2020.

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