ANNUAL REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS (AUDITIED, IN CANADIAN DOLLARS)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

DATED: FEBRUARY 25, 2016

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PRESIDENT'S MESSAGE

Fellow Unitholders:

We are pleased to report our results for the year ended December 31, 2015. Plaza Retail REIT continued to grow in 2015 through new development projects across our geography and intensification within our existing portfolio. Our Board of Trustees approved our 13th consecutive annual distribution increase for 2016. Plaza has more than tripled its distribution over the last 13 years from our initial distribution of 8 cents per unit in 2003 to 26 cents per unit in 2016.

Plaza's focused and value-add oriented business model has, and will, deliver superior results for our unitholders. The turbulence in the retail space in Canada is creating opportunities for operators, such as Plaza, who possess strong leasing and development infrastructures. Plaza has always focused on developing or redeveloping new space for value, convenience and specialty retailers in very stable markets.

Growth in 2016 and beyond will continue to be generated by three different deal types:

1) New developments that typically generate the highest returns, but present more initial risk than redevelopment projects and require investing over a one to three year period before realizing any revenues.

2) Redevelopments requiring new leasing that generally feature well-located properties that require major changes due to a series of factors such as: i) a major tenant that has vacated the property and that has not been replaced; ii) over-building on the site that leads to chronic vacancy; or iii) simple neglect over time. Unlike new developments, these types of projects provide some revenue immediately from the date of acquisition. These redevelopments would be expected to generally produce returns that would be higher than redevelopments that require no new leasing.

3) Redevelopments requiring little or no new leasing that feature properties with a solid tenant base that may only require physical changes and/or the repositioning of retailers within the property, but which do not depend on incremental leasing to achieve their return expectations. These types of redevelopments are obviously important in a period of turbulence in the retail sector.

Going forward Plaza will continue to pursue its goal of building value for its unitholders and generating per unit growth in FFO, AFFO, cash flow and ultimately its distributions. This will be achieved by:

1) growing via new developments and redevelopments;
2) taking advantage of Plaza's strong leasing and development infrastructure and culture;
3) adapting to changing market conditions and positioning itself to take advantage of opportunities;
4) continuing to refinance early to take advantage of the current long term fixed rate debt markets; and
5) recycling capital by selling mature finished product and using the proceeds to invest in new higher yielding projects.

Very few Canadian public real estate entities offer the potent combination of a secure distribution stream and the ability to consistently grow distributions by developing and redeveloping high quality retail projects. Plaza's development and redevelopment pipeline remains robust and we foresee continued growth and tremendous opportunity in the years ahead.

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

Sincerely,

Michael Zakuta
President and CEO

PART I

BASIS OF PRESENTATION

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to February 25, 2016. Financial information provided has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

FORWARD-LOOKING DISCLAIMER

The MD&A of the Trust for the year ended December 31, 2015 should be read in conjunction with the Trust's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2015 and 2014, along with the MD&A of the Trust for the year ended December 31, 2014, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Trust's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Trust to differ materially from the forward-looking statements contained in this MD&A. Such factors include, but are not limited to, economic, capital market, and competitive real estate conditions. These forward-looking statements are made as of February 25, 2016 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

OVERVIEW OF THE BUSINESS

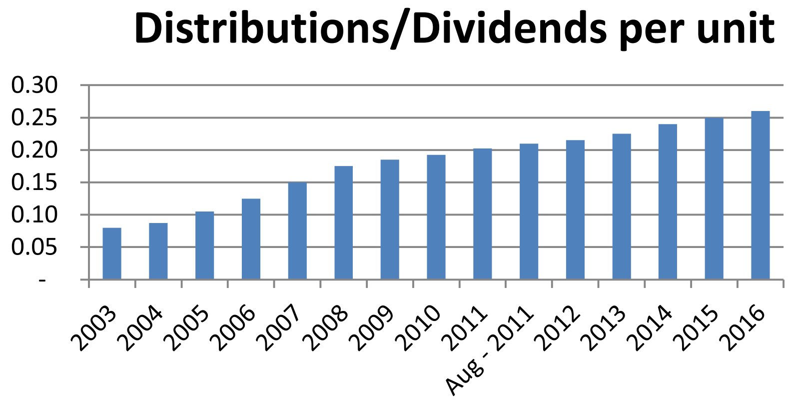
Headquartered in Fredericton, New Brunswick, Plaza is an unincorporated "open-ended" real estate investment trust (a "REIT") established pursuant to its declaration of trust dated as of November 1, 2013 (the "Declaration of Trust") and governed by the laws of the Province of Ontario. It trades on the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

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

- Plaza has a 15 year history of accretive growth and value creation;
- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed and enclosed retail real estate throughout Canada;
- Plaza has strong relationships with leading retailers;
- Plaza has a competitive advantage as a developer in Atlantic Canada;
- Plaza's entrepreneurial abilities allow it to adapt more easily to changing market conditions;
- Plaza is fully internalized and able to develop retail properties in-house;
- Plaza minimizes the amount of short-term debt that it obtains, therefore locking in returns for unitholders and minimizing financing risk;
- Insiders hold a significant position in Plaza; and
- Plaza is focused on cash flow per unit and per unit growth and conducts its business in order to maximize this and, accordingly, distributions for unitholders.

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

Yearly Distribution/Dividend Growth		
2003	8.00¢	n/a
2004	8.75¢	9.4%
2005	10.50¢	20.0%
2006	12.50¢	19.0%
2007	15.00¢	20.0%
2008	17.50¢	16.7%
2009	18.50¢	5.7%
2010	19.25¢	4.1%
2011	20.25¢	5.2%
2011-Aug	21.00¢	3.7%
2012	21.50¢	2.4%
2013	22.50¢	4.7%
2014	24.00¢	6.7%
2015	25.00¢	4.2%
2016	26.00¢	4.0%



The Trust's portfolio at December 31, 2015 includes interests in 308 properties totaling approximately 7.1 million square feet (which are predominantly occupied by national tenants) and additional lands held for development. These include properties indirectly held by Plaza through its subsidiaries and through joint arrangements.

Summary of Properties

	Number of Properties December 31, 2015[(1)]	**Gross Leasable Area (sq. ft.) December 31, 2015[(1) (2)]**	Number of Properties December 31, 2014[(1)]	Gross Leasable Area (sq. ft.) December 31, 2014[(1) (2)]
Alberta	**11**	**50,829**	12	53,426
Newfoundland and Labrador	**12**	**645,401**	10	637,403
New Brunswick	**50**	**1,724,042**	49	1,721,569
Nova Scotia	**37**	**1,169,051**	38	1,169,160
Manitoba	**6**	**30,424**	8	34,524
Ontario	**84**	**957,812**	86	721,337
Prince Edward Island	**11**	**577,733**	9	486,390
Quebec	**97**	**1,953,297**	97	1,837,237
Total	**308**	**7,108,589**	309	6,661,046

(1) Includes properties under development and non-consolidated investments.
(2) At 100%, regardless of the Trust's ownership interest in the properties

BUSINESS ENVIRONMENT AND OUTLOOK

Plaza's entrepreneurial culture and adaptability, combined with its strong fully internalized platform has allowed, and will continue to allow, Plaza to grow and take advantage of opportunities in the market place. Plaza has always had a focused strategy of growing the business through value-add developments and redevelopments and opportunistic acquisitions. Its properties are primarily leased to national retailers, with a focus on retailers in the consumer staples market segment – a segment that tends to withstand broader economic conditions or other retail trends, such as online sales. Plaza's execution of this strategy and its leasing efforts over the years have produced a portfolio that is dominated by national retailers, providing investors with a stable and growing cash flow. Barring unforeseen events, management believes it can continue to deliver growth and a solid performance in 2016.

Despite negative press surrounding various tenant bankruptcies in Canada, particularly in 2015, Plaza continues to sign deals with quality growth-oriented retailers across its geography. Obviously the Target withdrawal from Canada dominated the news during the first half of 2015. The Target store closings did not impact Plaza in any material way as Plaza only owned a 10% interest in a very well located strip centre with a Target store in Moncton, New Brunswick. Plaza has re-leased this space to Canadian Tire. In terms of the Future Shop/Best Buy closings/re-branding announcement, Plaza only has two Future Shops and one Best Buy in its portfolio, representing only 1.8% of the portfolio. Only two Future Shops have permanently closed (representing 1.0% of the portfolio) and both are in relatively newly built, well located centres, with interest already being expressed by national retailers for the spaces. We are currently working on deals to re-lease the spaces. As well, both leases have significant term left in them and, therefore, Plaza will continue to receive rent in the meantime. In general, Plaza does not believe that the recent tenant bankruptcies or restructurings of particular tenants will create a great over-supply of space in the long term in Plaza's geography – and, in fact, it may create some opportunities for Plaza in the short term. The principal regions in which Plaza operates continue to exhibit stability in retailer demand for space and in consumer spending. Plaza's geography is focused in Central and Eastern Canada. Exposure to Western oil-producing provinces, where low oil prices has had an economic impact, is minimal.

Government of Canada bond rates experienced a significant amount of volatility during the first half of 2015, however, with the second Bank of Canada rate cut announced in July 2015, interest rates remained low and continue to remain low for 2016. Long-term debt financing continues to be readily available from lenders, not only at historically competitive fixed rates, but with long amortization periods and long terms as well. Plaza believes that this will continue to be the case for 2016. In 2014 Plaza took advantage of the debt markets and low interest rates to early refinance many of its 2015, 2016 and 2017 mortgages, which continue to have a positive impact on Plaza's cash flows. Plaza continues to look for early refinancing opportunities within its portfolio in order to take advantage of current borrowing conditions and current interest rates and in 2015 had completed a number of these early refinancings.

Plaza may engage in some minor capital recycling in 2016 in order to take advantage of the continued strong buying market for real estate assets. As a result, it will look to sell or sell interests in some assets that may have become non-core to the portfolio and reinvest the sale proceeds in new, higher yielding projects.

Plaza's development pipeline is robust and will continue to drive growth going forward. Plaza currently owns an interest in the following projects under development or redevelopment which, upon completion, are expected to be accretive to Plaza's earnings. The following properties are under construction, active development or active planning and are anticipated to be completed at various points over the next three years as follows:

Properties under development/redevelopment	Property Type	Status	Square Footage(1)	Ownership	Occupied or Committed at December 31, 2015	Anticipated Completion Date
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning	6,000	50%	n/a	2016
Plaza de L'Ouest, Sherbrooke, QC – Phase III	Strip Plaza	In Planning	40,000	50%	n/a	2017 - 2018
Fairville Boulevard – Phase III, Saint John, NB	Strip Plaza	In Planning	24,000	100%	n/a	2016 - 2017
Grand Falls Shopping, Centre, Grand Falls, NB	Enclosed Mall to Strip Plaza	In Construction	103,692	100%	81%	Q2 2016
St. Jerome, St. Jerome (Montreal), QC -Phase III(2)	Strip Plaza	In Planning	120,000	20%	n/a	2017 - 2018
960 Cole Harbour Rd, Dartmouth (Halifax), NS(3)	Single Use	In Planning	5,600	100%	n/a	Q4 2016
9 James St., Antigonish, NS(3)	Single Use	In Planning	3,000	100%	n/a	Q4 2016
Northside Plaza, Fredericton, NB	Strip Plaza	In Construction	32,578	100%	15%	Q2 2016
315 Bd. Ste. Anne, Beauport, QC(3)	Single Use	In Development	2,700	100%	100%	Q4 2016
3000 Bd. St. Charles Blvd, Kirkland, QC(3)	Single Use	In Development	2,554	100%	100%	Q4 2016
Buchanan Dr. – Phase II, Charlottetown, PE	Strip Plaza	In Construction	10,487	100%	100%	Q2 2016
905 37th Street SW, Calgary, AB(3)	Single Use	In Construction	2,161	100%	100%	Q2 2016
35 Confederation Drive, Corner Brook, NL	Single Use	In Construction	23,345	100%	100%	Q2 2016
Princess Auto, Charlottetown, PE	Single Use	In Construction	20,287	100%	100%	Q2 2016
600 JP Perrault, Sherbrooke, QC	Strip Plaza	In Planning	83,626	50%	n/a	2016 - 2017
201 Chain Lake Dr, Halifax, NS(3)	Strip Plaza Expansion	In Construction	8,000	50%	100%	Q3 2016
Park Street Plaza, Kenora, ON	Enclosed Mall to Strip Plaza	In Planning	71,192	20%	84%	Q4 2016
Mountainview Plaza, Midland, ON	Enclosed Mall to Strip Plaza	In Planning	172,646	20%	95%	Q3 2016
466 Queen Street West, Toronto, ON(3)	Single Use	In Planning	9,600	100%	n/a	2016 - 2017
5628 – 4th Street NW, Calgary, AB(3)	Single Use Expansion	In Development	3,000	100%	100%	2016
Bureau en Gros, Rimouski, QC(2)	Pad	In Development	5,000	50%	100%	Q1 2017
St. Anne Street, Bathurst, NB(3)	Strip Plaza Expansion	In Planning	10,000	100%	100%	2017
655 University Ave, Charlottetown, PE	Pad	In Construction	2,000	100%	100%	Q1 2016
The Shoppes at Galway, St. John's, NL – Phase I	Strip Plaza	In Planning	265,000	50%	n/a	Q1 2018
The Shoppes at Galway, St. John's, NL – Phase II	Strip Plaza	In Planning	335,000	50%	n/a	2019
The Shoppes at Galway, St. John's, NL – Phase III	Strip Plaza	In Planning	100,000	50%	n/a	2019
Total			1,461,468			

(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.

There is excess density at existing properties that the Trust plans to develop in the short term which would represent approximately 30 thousand additional square feet at completion.

At December 31, 2015, there are lands under purchase agreements and subject to due diligence or other conditions. These land purchases will represent an additional 18 thousand square feet of retail space at completion.

The total estimated costs for the developments and redevelopments (noted in the chart above) are between $80.0 million and $90.0 million, of which approximately $48.8 million has already been spent (at Plaza's ownership percentage).

SIGNIFICANT EVENTS DURING 2015

Roll-Ins

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

The Shoppes at Galway

In June 2015, Plaza announced its 50/50 joint venture with DewCor (a company owned and operated by Danny Williams – businessperson, lawyer and former Premier of Newfoundland and Labrador) to develop the Newfoundland project known as The Shoppes at Galway in the west end of the greater St. John's, Newfoundland area. The Shoppes at Galway will consist of more than 700 thousand square feet of strip retail centres. Plaza contributed $8.6 million to the partnership for its share of the land, while DewCor contributed the land.

Increase in Distribution

The Board of Trustees approved the 13th consecutive annual distribution increase to $0.26 per unit for 2016, representing a 4.0% increase from 2015, and is effective for the regularly scheduled monthly distribution payment dates beginning with the January distribution, which was paid on February 15, 2016.

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

(000s, except square footage and as otherwise noted)	2015	2014
Property rental revenue	**$ 96,050**	$ 93,376
Total revenue	**$ 101,854**	$ 98,453
NOI[1]	**$ 60,898**	$ 59,787
Same-asset NOI[1]	**$ 54,952**	$ 54,736
FFO[1]	**$ 31,314**	$ 28,559
AFFO[1]	**$ 29,908**	$ 27,263
EBITDA[1]	**$ 57,568**	$ 55,600
Total assets	**$ 1,023,887**	$ 950,331
Total mortgages, mortgage bonds, notes payable, bank credit facilities and bridge facilities	**$ 514,466**	$ 460,534
Total debentures	**$ 64,490**	$ 65,509
Weighted average units outstanding [2]	**94,014**	91,607
Amounts on a Per Unit Basis		
FFO[1]	**$ 0.333**	$ 0.311
AFFO[1]	**$ 0.318**	$ 0.298
Distributions	**$ 0.250**	$ 0.240
Financial Ratios		
Weighted average interest rate – fixed rate mortgages	**4.59%**	4.92%
Debt to gross assets (excluding converts)	**50.4%**	48.6%
Debt to gross assets (including converts)	**56.3%**	54.9%
Interest coverage ratio[1]	**2.08x**	1.88x
Debt coverage ratio[1]	**1.55x**	1.45x
Distributions as a % of FFO	**75.1%**	76.9%
Distributions as a % of AFFO	**78.6%**	80.5%
Leasing Information		
Square footage leased during the period (total portfolio)	**1,248,903**	963,979
Committed occupancy	**96.1%**	96.4%
Same-asset committed occupancy	**96.3%**	95.9%
Mix of Tenancy Based on Square Footage		
National	**90.5%**	90.6%
Regional	**4.1%**	4.0%
Local	**4.2%**	4.2%
Non retail	**1.2%**	1.2%
Other		
Average term to maturity - mortgages	**6.5 years**	6.7 years
Average term to maturity - leases	**6.5 years**	6.7 years
IFRS capitalization rate	**7.04%**	7.13%

Property Type Breakdown	**Number of Properties December 31, 2015**	**Square Footage (000s)**	Number of Properties December 31, 2014	Square Footage (000s)
Strip	**97**	**4,563**	94	4,344
Enclosed	**6**	**1,122**	4	894
Single Use – Quick Service Restaurant	**142**	**393**	147	371
Single Use – Retail	**63**	**1,031**	64	1,052
Total	**308**	**7,109**	309	6,661

(1) Refer to "Non-IFRS Measures" and "Additional IFRS Measures" for further explanations.
(2) Includes Class B exchangeable LP units.

EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

Funds From Operations (FFO) is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit for the period attributable to unitholders on page 12). Plaza considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and some entities use the fair value model to account for investment properties).

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

Adjusted Funds From Operations (AFFO) is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream (see reconciliation to FFO on page 14). Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short term cash requirements or surpluses and are deemed financing activities. AFFO also excludes salaries and other costs related to development activities that should otherwise form part of the costs of its development projects and that management views as capital in nature and, therefore, not indicative of regular income producing activities. In addition, non-recurring costs that impact operating cash flow may be adjusted (see reconciliation to operating cash flow on page 15).

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

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is not an IFRS financial measure. EBITDA, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before finance costs, income tax expense, gains/losses on property dispositions, unrealized changes from fair value adjustments, transaction costs expensed as a result of the purchase of a business or properties, and net revaluation of interest rate swaps (see reconciliation to profit for the period on page 16).

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

EXPLANATION OF ADDITIONAL IFRS MEASURES USED IN THIS DOCUMENT

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

PART II

STRATEGY

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

The Trust strives to:

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

The Trust invests in the following property types:

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

Management intends to achieve Plaza's goals by:

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

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

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

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing a steady and increasing cash flow to unitholders. The following chart discusses the key performance indicators for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Funds from Operations[1]

	2015	2014
FFO	**$31,314**	$28,559
FFO per unit	**$0.333**	$0.311

The principal factors influencing FFO were:

- An increase in NOI of $2.0 million from developments/redevelopments/acquisitions;
- Growth in same-asset NOI of $216 thousand;
- A decrease in NOI of $0.9 million due to property sales;
- A decrease in administrative expenses (net of incremental leasing costs) of $266 thousand mainly due to one-time costs incurred for the REIT conversion in the prior year; and
- An increase in other income of $626 thousand mainly due to insurance proceeds received on various properties, partly offset by a decrease in development fees earned.

Adjusted Funds from Operations[1]

	2015	2014
AFFO	**$29,908**	$27,263
AFFO per unit	**$0.318**	$0.298

The principal factors influencing AFFO were:

- Growth in NOI from developments/redevelopments/acquisitions; and
- Higher leasing costs.

FFO/AFFO Payout Ratios

	2015	2014
Distributions as a % of FFO	**75.1%**	76.9%
Distributions as a % of AFFO	**78.6%**	80.5%

Debt Service Ratios[1]

	2015	2014
Interest coverage ratio	**2.08x**	1.88x
Debt coverage ratio	**1.55x**	1.45x

- Debt service ratios were impacted by reduced finance costs partly attributable to interest rate savings from Plaza's significant refinancing program undertaken in 2014. As well, improved EBITDA mainly from growth in NOI contributed to the improvement in the debt service ratios.

Debt to Gross Assets

	2015	2014
Debt to gross assets (excluding converts)	**50.4%**	48.6%
Debt to gross assets (including converts)	**56.3%**	54.9%

- Debt to gross assets ratios are generally within Plaza's general leverage philosophy of 50% excluding converts and 55% including converts.

Same-Asset Net Property Operating Income[1]

	2015	2014
Same-asset NOI	**$54,952**	$54,736

Weighted Average Interest Rate – Fixed Rate Mortgages

	2015	2014
Weighted average interest rate – fixed rate mortgages	**4.59%**	4.92%

- The decrease was a result of continued financings and refinancings at historically low interest rates.

Occupancy Levels

	2015	2014
Committed occupancy	**96.1%**	96.4%
Same-asset occupancy	**96.3%**	95.9%

(1) Refer to "Non-IFRS Measures" and "Additional IFRS Measures" for further explanations.

PROPERTY AND CORPORATE PERFORMANCE 2015 AND 2014

Funds from Operations (FFO)

Plaza's summary of FFO for the three and twelve months ended December 31, 2015, compared to the three and twelve months ended December 31, 2014 is presented below:

(000s – except per unit amounts)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Profit for the period attributable to unitholders	**$ 4,740**	$ 15,017	**$ 38,054**	$ 85,275
Add (deduct):				
Incremental leasing costs included in administrative expenses	**288**	262	**1,323**	1,248
Distributions on Class B exchangeable LP units included in finance costs	**83**	-	**330**	-
Deferred income taxes	**732**	2,540	**1,368**	(57,296)
Refundable tax on disposals of investment properties	**-**	(342)	**-**	(342)
Fair value adjustment to restricted share units	**16**	13	**31**	(14)
Fair value adjustment to investment properties	**(239)**	(7,921)	**(9,592)**	228
Fair value adjustment to investments	**2,535**	(1,295)	**(635)**	(500)
Fair value adjustment to Class B exchangeable LP units	**355**	-	**804**	-
Fair value adjustment to convertible debentures	**16**	(252)	**(1,042)**	523
Fair value adjustment to interest rate swap and bond forward	**41**	-	**206**	-
Equity accounting adjustment	**(6)**	62	**235**	197
Non-controlling interest adjustment	**219**	(1,007)	**232**	(760)
Basic and diluted FFO	**$ 8,780**	$ 7,077	**$ 31,314**	$ 28,559
Basic Weighted Average Units Outstanding [(1)]	**94,122**	92,506	**94,014**	91,607
Diluted Weighted Average Units Outstanding [(1)]	**94,122**	92,506	**94,014**	91,607
Basic and diluted FFO per unit	**$ 0.093**	$ 0.077	**$ 0.333**	$ 0.311

(1) Includes Class B exchangeable LP units.

Basic FFO for the twelve months ended December 31, 2015 increased by 9.6% over the same period in the prior year. Basic FFO per unit for the twelve months ended December 31, 2015 increased by 7.1% over the same period in the prior year.

Impacting FFO was:

(i) growth in NOI of $2.0 million from developments/redevelopments/acquisitions (refer to page 18);
(ii) growth in same-asset NOI of $216 thousand (refer to page 17);
(iii) a decrease in NOI of $0.9 million due to the sale of former KEYreit properties (refer to page 18);
(iv) a decrease in lease termination revenue recorded (refer to page 18);
(v) a decrease in administrative expenses (net of incremental leasing costs) of $266 thousand mainly due to one-time costs incurred in the prior year for Plaza's conversion to a REIT structure (refer to page 23); and
(vi) an increase in other income of $626 thousand mainly due to insurance proceeds received on various properties, partly offset by a decrease in development fees earned.

Basic FFO for the three months ended December 31, 2015 increased by 24.1% over the prior year and basic FFO per unit for the three months ended December 31, 2015 increased by 20.8% over the prior year.

Impacting FFO was:

(i) growth in NOI of $588 thousand from developments/redevelopments/acquisitions (refer to page 18);
(ii) growth in same-asset NOI of $48 thousand (refer to page 17);
(iii) a decrease in NOI of $26 thousand due to the sale of former KEYreit properties (refer to page 18);

(iv) an increase in other income of $1.1 million as a result of insurance proceeds received on various properties, partly offset by development fees earned in the prior year; and
(v) an increase in finance costs (net of distributions on Class B exchangeable LP units) of $117 thousand (refer to page 22).

Excluding non-recurring items, Plaza's FFO and per unit FFO for the three and twelve months ended December 31, 2015 is represented in the following table.

(000s – except per unit amounts)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Basic and diluted FFO	**$ 8,780**	$ 7,077	**$ 31,314**	$ 28,559
Add (deduct):				
Loan defeasance expenses and early mortgage discharge fees paid	**220**	167	**1,160**	625
Write-off of mark-to-market on debt assumed due to sale of related asset or early refinancing	**(131)**	-	**(877)**	(1,696)
Insurance proceeds	**(1,128)**	-	**(1,360)**	-
REIT conversion costs incurred	**-**	-	**-**	497
Basic and diluted FFO excluding non-recurring items	**$ 7,741**	$ 7,244	**$ 30,237**	$ 27,985
Basic and diluted FFO excluding non-recurring items per unit	**$ 0.082**	$ 0.078	**$ 0.322**	$ 0.305

Excluding non-recurring items, FFO increased for the twelve months ended December 31, 2015, despite a significant reduction in NOI from assets sold. Propelling the increase was development/redevelopment activity and interest rate savings from Plaza's significant refinancing program undertaken in 2014.

For the quarter, the increase in FFO excluding non-recurring items, was mainly driven by higher NOI, partly offset by lower development fees earned (development fees are not consistent from period to period and are dependent on which developments are being worked on).

Adjusted Funds from Operations (AFFO)

Plaza's summary of AFFO for the three and twelve months ended December 31, 2015, compared to the three and twelve months ended December 31, 2014 is presented below:

(000s, except per unit amounts and percentage data)	3 Months Ended December 31, 2015 (unaudited)	3 Months Ended December 31, 2014 (unaudited)	12 Months Ended December 31, 2015	12 Months Ended December 31, 2014
Basic FFO[1]	**$ 8,780**	$ 7,077	**$ 31,314**	$ 28,559
Add (deduct):				
Amortization of loan placement fees, included in finance costs	**227**	313	**1,001**	2,151
Loan defeasance expenses and early mortgage discharge fees paid	**220**	167	**1,160**	625
Principal repayment of tenant loans	**38**	40	**148**	186
Non-controlling interest adjustment	**72**	51	**155**	162
Development/redevelopment costs included in administrative expenses [2]	**294**	268	**1,320**	1,226
Non-cash revenue – straight-line rent	**(65)**	(54)	**(106)**	108
Amortization of mark-to-market on debt assumed included in finance costs	**(243)**	(210)	**(1,504)**	(2,906)
Equity accounting adjustment	**29**	(6)	**(37)**	(16)
Maintenance capital expenditures – existing properties	**(481)**	(3)	**(1,380)**	(1,055)
Leasing costs – existing properties	**(512)**	(495)	**(1,821)**	(1,245)
Mortgage placement fees – existing properties	**(45)**	(230)	**(342)**	(532)
Basic and diluted AFFO	**$ 8,314**	$ 6,918	**$ 29,908**	$ 27,263
Basic and diluted AFFO per unit	**$ 0.088**	$ 0.075	**$ 0.318**	$ 0.298
Gross distributions to unitholders [3][4]	**5,884**	5,550	**23,507**	21,957
AFFO after distributions	**$ 2,430**	$ 1,368	**$ 6,401**	$ 5,306
Distributions as a percentage of basic AFFO	**70.8%**	80.2%	**78.6%**	80.5%
Distributions as a percentage of basic FFO	**67.0%**	78.4%	**75.1%**	76.9%

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

(2) Represent salaries and other costs not capitalized for accounting purposes but are related to development activities, that in management's view, form part of the cost of development projects. The amount excludes the salaries and other costs of the leasing department as these amounts are already added back in the derivation of FFO.

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

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

For the twelve months ended December 31, 2015, AFFO increased by $2.6 million, or 9.7% over the prior year, and AFFO per unit increased by 6.7% over the prior year. The increase in AFFO and AFFO per unit was mainly due to growth in NOI mainly from developments/redevelopments/acquisitions, higher other income from insurance proceeds and lower administrative expenses, partly offset by higher leasing costs, reduced development fees earned and reduced NOI as a result of properties sold.

For the three months ended December 31, 2015, AFFO increased by $1.4 million, or 20.2% over the same period in the prior year and AFFO per unit increased by 17.3%. The increase in AFFO and AFFO per unit was mainly due to growth in NOI from developments/redevelopments/acquisitions, as well as higher other income from insurance proceeds. These were partly offset by reduced development fees earned and higher maintenance capital expenditures incurred.

Plaza maintains very good payout ratios by industry standards and retains sufficient cash to operate the business.

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

(000s)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Operating cash flow	**$ 9,579**	$ 12,736	**$ 27,449**	$ 27,630
Add (deduct):				
Non-controlling interest adjustment	**(5)**	(187)	**(154)**	(768)
Equity accounting adjustment	**535**	453	**1,985**	1,887
Distributions from equity accounted investments	**(212)**	(289)	**(811)**	(1,257)
Principal repayment of tenant loans	**38**	40	**148**	186
Change in interest accrual	**941**	684	**(135)**	(517)
Change in income tax accrual	**58**	(1,026)	**44**	(1,060)
Change in non-cash working capital	**(2,353)**	(5,046)	**1,671**	1,596
Development/redevelopment costs included in administrative expenses	**294**	268	**1,320**	1,226
Maintenance capital expenditures – existing properties	**(481)**	(3)	**(1,380)**	(1,055)
Incremental leasing costs included in administrative expenses	**288**	262	**1,323**	1,248
Fair value adjustment to restricted share units	**16**	13	**31**	(14)
Leasing commissions included in operating cash flow	**173**	80	**580**	280
Leasing costs – existing properties	**(512)**	(495)	**(1,821)**	(1,245)
Mortgage placement fees – existing properties	**(45)**	(230)	**(342)**	(532)
Refundable tax on disposals of investment properties	**-**	(342)	**-**	(342)
Basic and diluted AFFO	**$ 8,314**	$ 6,918	**$ 29,908**	$ 27,263

Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three and twelve months ended December 31, 2015, compared to the three and twelve months ended December 31, 2014 is presented below:

(000s – except debt service ratios)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Profit for the period	**$ 5,036**	$ 14,248	**$ 38,595**	$ 85,445
Add (deduct):				
Income taxes	**702**	2,147	**1,445**	(57,420)
Finance costs	**7,083**	6,883	**27,614**	27,225
Fair value adjustment to investment properties	**(239)**	(7,921)	**(9,592)**	228
Fair value adjustment to investments	**2,535**	(1,295)	**(635)**	(500)
Fair value adjustment to convertible debentures	**16**	(252)	**(1,042)**	523
Fair value adjustment to Class B exchangeable LP units	**355**	-	**804**	-
Fair value adjustment to restricted share units	**16**	13	**31**	(14)
Fair value adjustment to interest rate swap and bond forward	**41**	-	**206**	-
Equity accounting adjustment	**(38)**	41	**142**	113
EBITDA	**$ 15,507**	$ 13,864	**$ 57,568**	$ 55,600
Finance costs [1]	**$ 7,023**	$ 6,926	**$ 27,628**	$ 29,506
Periodic mortgage principal repayments	**2,569**	2,071	**9,456**	8,826
Total debt service	**$ 9,592**	$ 8,997	**$ 37,084**	$ 38,332
Debt service ratios				
Interest coverage ratio	**2.21 times**	2.00 times	**2.08 times**	1.88 times
Debt coverage ratio	**1.62 times**	1.54 times	**1.55 times**	1.45 times

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

For the twelve months ended December 31, 2015, the interest and debt coverage ratios improved over the prior year partly due to reduced finance costs partly attributable to interest rate savings from Plaza's significant refinancing program undertaken in 2014. As well, improved EBITDA mainly from growth in NOI contributed to the improvement in the debt service ratios for the year ended December 31, 2015. For the three months ended December 31, 2015, the ratios improved over the prior year mainly due to higher EBITDA from growth in NOI, as well as higher other income mainly from insurance proceeds. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements and overall leverage is at the Trust's targeted leverage.

Same-Asset Net Property Operating Income

Same-asset categorization refers to those properties which were owned and operated by Plaza for the twelve months ended December 31, 2015 and the entire year ended December 31, 2014 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, 2015, approximately 48.6% 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 utility costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal taxes are generally net and fully recoverable from all tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

(000s)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Same-asset rental revenue	**$ 21,417**	$ 21,232	**$ 85,598**	$ 84,469
Same-asset operating expenses	**(3,997)**	(4,035)	**(15,241)**	(15,096)
Same-asset realty tax expense	**(3,863)**	(3,688)	**(15,405)**	(14,637)
Same-asset net property operating income	**$ 13,557**	$ 13,509	**$ 54,952**	$ 54,736

As noted in the chart above, the NOI for the same-asset pool for the twelve months ended December 31, 2015 increased by $216 thousand or 0.4% over the same period in the prior year.

NOI for the same-asset pool for the three months ended December 31, 2015 increased by $48 thousand or 0.4% over the same period 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, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
New Brunswick	**$ 2,831**	$ 2,816	**$ 11,649**	$ 11,687
Nova Scotia	**2,891**	2,738	**11,239**	10,655
Quebec	**2,576**	2,484	**10,476**	10,314
Alberta	**225**	219	**1,051**	1,045
Manitoba	**181**	171	**725**	728
Ontario	**2,317**	2,483	**9,522**	9,887
Newfoundland and Labrador	**1,166**	1,298	**5,021**	5,310
Prince Edward Island	**1,370**	1,300	**5,269**	5,110
Same-asset net property operating income	**$ 13,557**	$ 13,509	**$ 54,952**	$ 54,736
Percentage increase over prior period	**0.4%**		**0.4%**	

Net Property Operating Income

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

(000s)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Same-asset net property operating income	**$ 13,557**	$ 13,509	**$ 54,952**	$ 54,736
Developments transferred to income producing in 2014	**382**	223	**1,467**	988
Developments transferred to income producing in 2015 ($351 thousand annualized NOI)	**123**	-	**186**	-
Properties acquired	**74**	42	**386**	66
Redevelopments transferred to income producing in 2015 ($1.9 million annualized NOI)	**522**	450	**1,872**	1,496
NOI from properties currently under redevelopment	**525**	415	**1,554**	1,199
Purchase of minority interests (refer to page 6)	**92**	-	**296**	-
Property disposals	**14**	40	**195**	1,051
Lease termination revenue	**-**	-	**86**	424
Property tax settlements	**-**	-	**(109)**	(165)
Other	**4**	(16)	**13**	(8)
Total net property operating income	**$ 15,293**	$ 14,663	**$ 60,898**	$ 59,787

Leasing and Occupancy

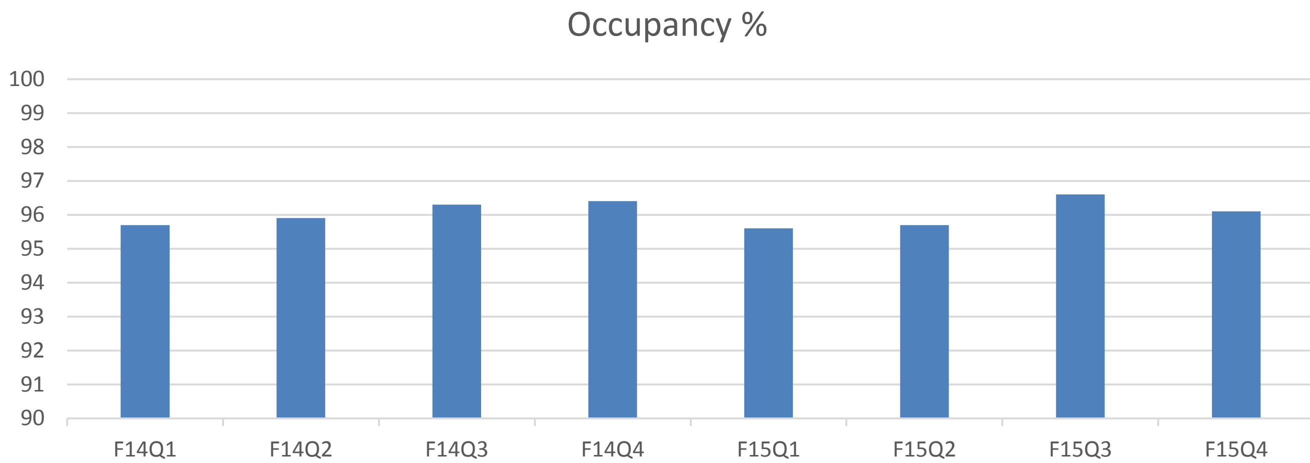
The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2015 (excluding developments/redevelopments and non-consolidated investments).

	Strip Plazas		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]**	**%**
2016	384,773	11.4	105,960	16.2	16,989	2.0	23,375	7.2	**531,097**	**10.2**
2017	221,464	6.5	100,598	15.3	44,543	5.3	27,768	8.6	**394,373**	**7.6**
2018	204,526	6.0	87,937	13.4	24,999	3.0	201,076	62.2	**518,538**	**10.0**
2019	274,244	8.1	93,814	14.3	19,504	2.3	-	-	**387,562**	**7.5**
2020	492,156	14.5	78,155	11.9	109,776	13.2	8,074	2.5	**688,161**	**13.2**
Thereafter	1,808,724	53.5	189,392	28.9	617,713	74.2	63,226	19.5	**2,679,055**	**51.5**
Subtotal	3,385,887	100.0	655,856	100.0	833,524	100.0	323,519	100.0	**5,198,786**	**100.0**
Vacant	156,368		60,749		4,915		3,180		**225,212**	
Total	**3,542,255**		**716,605**		**838,439**		**326,699**		**5,423,998**	
Weighted average lease	**6.7 years**		**3.9 years**		**8.5 years**		**3.9 years**		**6.5 years**	

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

At December 31, 2015, overall committed occupancy for the portfolio (excluding properties under development/redevelopment and non-consolidated investments) was 96.1% compared to 96.4% at December 31, 2014. Same-asset committed occupancy was 96.3% at December 31, 2015, compared to 95.9% at December 31, 2014.

Committed occupancy for the portfolio has remained relatively stable over the last eight quarters.



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

	Strip Plazas	Enclosed Malls	Single-User Retail	Single-User QSR
2015				
Renewals/new leasing (sq. ft.)	506,590	115,995	53,028	2,161
Weighted average rent ($/sq. ft.)	$14.75	$12.15	$13.09	$42.00
Expiries (sq. ft.)	430,616	167,432	30,610	-
Weighted average rent ($/sq. ft.)	$14.43	$13.99	$13.13	-
2016				
Expiries (sq. ft.)	384,773	105,960	16,989	23,375
Weighted average rent ($/sq. ft.)	$12.67	$14.97	$9.37	$28.81

In addition, for the twelve months ended December 31, 2015, the Trust completed 431 thousand square feet of new leasing deals on developments and redevelopments at market rates and 124 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

On average, Plaza's embedded or contractual gross rents expiring in 2016 would be at or below current market rates. Plaza's financial exposure to vacancies and lease roll-overs differs among the different retail asset types, as gross rental rates differ dramatically by asset class.

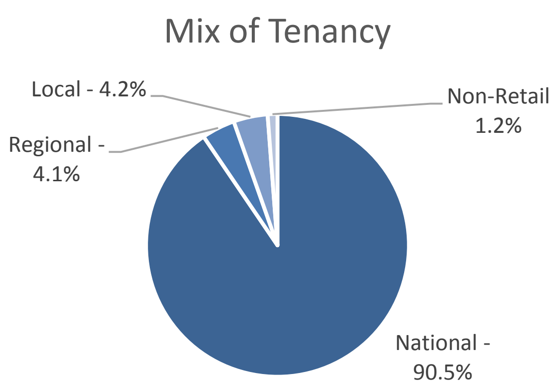
- Occupancy in the strip plazas was 95.8% at December 31, 2015, compared to 95.6% at December 31, 2014.
- Average occupancy for enclosed malls was 91.7% at December 31, 2015, compared to 94.5% at December 31, 2014.
- Occupancy for single use assets was 99.7% at December 31, 2015, compared to 99.6% at December 31, 2014.
- Pre-leased space in properties in the development phase and in the construction phase is 88.8% at December 31, 2015.

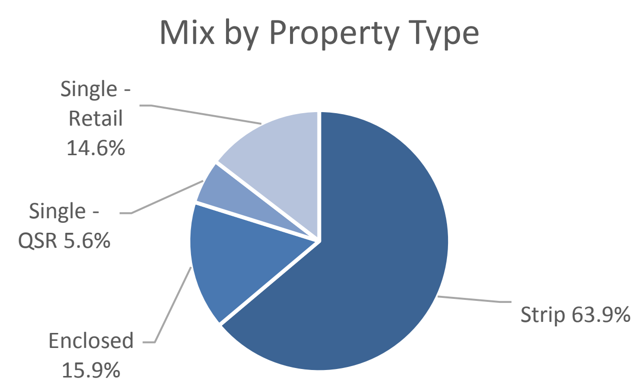
Plaza has built a portfolio with a high quality revenue stream. Plaza's ten largest tenants based upon current monthly base rents at December 31, 2015 represent approximately 58.5% of total base rent revenues in place.

	% of Base Rent Revenue		% of Base Rent Revenue
1. Shoppers Drug Mart	24.7	6. Canadian Tire Group[3]	3.0
2. KFC[1]	10.8	7. TJX Group[4]	2.2
3. Dollarama	4.7	8. Pharma Plus	2.2
4. Sobeys Group[2]	4.2	9. Bulk Barn	1.8
5. Staples	3.1	10. Best Buy	1.8

(1) Represented by 6 tenants.
(2) Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.
(3) Canadian Tire Group represents the following stores: Canadian Tire, Mark's Work Wearhouse and Sport Chek.
(4) TJX Group represents the following stores: Winners, HomeSense, and Marshalls.

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





Profit and Total Comprehensive Income for the Period

The Trust recorded profit and total comprehensive income for the twelve months ended December 31, 2015 of $38.6 million compared to $85.4 million for the same period in the prior year. The change was impacted by all of the same factors mentioned in the discussion of FFO previously, as well as:

(i) the recording of a deferred income tax recovery in 2014 upon Plaza's conversion to a REIT structure, of $57.3 million, to reflect the flow-through tax status of Plaza as a REIT, whereby taxes are only recorded for taxable corporate subsidiaries;
(ii) the recording of a fair value loss on Class B exchangeable LP units in the current year of $804 thousand; and
(iii) the recording of a fair value loss on interest rate swaps and bond forwards of $206 thousand.

These were partly offset by:

(i) a net gain from non-cash fair value adjustments to investment properties of $9.6 million in the current year, compared to a net loss of $228 thousand in the prior year;
(ii) a net gain from the non-cash fair value adjustment to convertible debentures of $1.0 million in the current year, compared to a net loss of $0.5 million in the prior year; and
(iii) an increase in the share of profit of associates of $216 thousand mainly due to the non-cash fair value adjustment to the underlying investment properties.

The Trust recorded profit and total comprehensive income for the three months ended December 31, 2015 of $5.0 million compared to $14.2 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

(i) the recording of a fair value loss on Class B exchangeable LP units in the current quarter of $355 thousand;

(ii) the recording of a fair value loss on interest rate swaps and bond forwards of $41 thousand;
(iii) a decrease in the share of profit of associates of $3.7 million mainly due to new debt financing incurred at one of the equity accounted investments;
(iv) a net loss from the non-cash fair value adjustment to convertible debentures of $16 thousand compared to a net gain of $252 thousand in the prior year; and
(v) a net gain from non-cash fair value adjustments to investment properties of $0.2 million in the current quarter, compared to $7.9 million in the prior year.

These were partly offset by:
(i) the recording of $732 thousand of deferred tax expense for the current quarter, compared to a deferred tax expense of $2.5 million in the prior year.

Share of Profit of Associates

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

	Ownership Position	Preferred Return	Residual Return
Equity Accounted Investments[1]			
Centennial Plaza Limited Partnership	10%	10%	20%
Trois Rivières Limited Partnership	15%	10%	30%
Plazacorp – Shediac Limited Partnership	10%	8%	50%
Plazacorp Ontario1 Limited Partnership	25%	4%	25%
Plazacorp Ontario2 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario3 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario4 Limited Partnership	50%	n/a	n/a
RBEG Limited Partnership	50%	n/a	n/a
CPRDL Limited Partnership	50%	n/a	n/a
Fundy Retail Ltd.	50%	n/a	n/a
VGH Limited Partnership[2]	20%	8%	27%
Ste. Hyacinthe Limited Partnership[2]	25%	n/a	n/a
The Shoppes at Galway Limited Partnership[2]	50%	n/a	n/a
Fair Value Accounted Investments[1]			
Northwest Plaza Commercial Trust	10%	n/a	n/a

(1) Equity and fair value accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Place Du Marche and BPK Levis (Centennial Plaza Limited Partnership); Plaza des Recollets (Trois Rivières Limited Partnership); Shediac West (Plazacorp – Shediac Limited Partnership); Ottawa Street Almonte, Hastings Street Bancroft and Main Street Alexandria (Plazacorp Ontario1 Limited Partnership); Amherstview and Scugog Street Port Perry (Plazacorp Ontario2 Limited Partnership); King & Mill (Plazacorp Ontario3 Limited Partnership); Manotick (Plazacorp Ontario4 Limited Partnership); Bureau en Gros (RBEG Limited Partnership); CPRDL (CPRDL Limited Partnership); Gateway Mall (Fundy Retail Ltd.); St. Jerome (VGH Limited Partnership); 5400 Laurier Ouest (Ste. Hyacinthe Limited Partnership); the Shoppes at Galway (The Shoppes at Galway Limited Partnership) and Northwest Centre (Northwest Plaza Commercial Trust).
(2) The land within this partnership is currently in development.

Share of profit of associates for the twelve months ended December 31, 2015 includes Plaza's share of NOI of approximately $3.3 million. Share of profit of associates increased by $216 thousand for the twelve months ended December 31, 2015 compared to the twelve months ended December 31, 2014. The increase was mainly due to the increase in the non-cash fair value adjustment of the underlying investment properties.

Share of profit of associates for the three months ended December 31, 2015 includes Plaza's share of NOI of approximately $809 thousand. Share of profit of associates decreased by $3.7 million for the three months ended December 31, 2015 compared to the three months ended December 31, 2014. The decrease was mainly due to new debt financing incurred at one of the equity accounted investments.

Distributions received from associates for the twelve months ended December 31, 2015 were $811 thousand compared to $1.3 million for the twelve months ended December 31, 2014. Distributions received from associates for the three months ended December 31, 2015 were $212 thousand compared to $289 thousand for the three months ended December 31, 2014.

Finance Costs

Finance costs for the twelve months ended December 31, 2015 were $27.6 million, compared to $27.2 million for the same period in the prior year. Finance costs for the current year were impacted by:

(i) $1.2 million in early mortgage discharge fees and defeasance costs, compared to $0.6 million in the prior year;
(ii) lower amortization of the mark-to-market on KEYreit mortgage debt mainly due to fewer write-offs from fewer sales of properties and early refinancings as compared to the prior year, accounting for an increase in finance costs of $1.4 million;
(iii) higher interest expense on new mortgages obtained; and
(iv) the recording of $330 thousand of distributions on Class B exchangeable LP units.

These were partly offset by:

(i) lower debenture interest due to the conversion and redemption of a prior series of debentures;
(ii) a reduction in interest paid and amortization of deferred financing charges on the KEYreit bridge facility as it was repaid in May 2014, accounting for a decrease in finance costs of $1.6 million;
(iii) lower interest on interim financing which was paid off in Q1 2015; and
(iv) the impact of interest rate savings on refinancings at better rates.

Finance costs for the three months ended December 31, 2015 were $7.1 million, compared to $6.9 million for the same period in the prior year. Finance costs for the current quarter were impacted by:

(i) higher interest expense on new mortgages obtained;
(ii) higher interest expense on the Series X mortgage bonds issued on June 25, 2015;
(iii) higher interest on development and operating lines of credit as a result of a higher balance outstanding; and
(iv) the recording of $83 thousand of distributions on Class B exchangeable LP units.

These were partly offset by:

(i) lower interest on interim financing which was paid off in Q1 2015; and
(ii) the impact of interest rate savings on refinancings at better rates.

Change in Fair Value of Investment Properties

The Trust recorded a fair value increase to investment properties of $9.6 million for the twelve months ended December 31, 2015 compared to a fair value decrease of $228 thousand for the twelve months ended December 31, 2014. For the three months ended December 31, 2015, the Trust recorded a fair value increase to investment properties of $239 thousand compared to $7.9 million in the prior year. The weighted average capitalization rate at December 31, 2015 was 7.04% which is 9 basis points lower than December 31, 2014. The change in fair value was mainly impacted by the drop in capitalization rates. At December 31, 2015 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 $34.1 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $31.7 million.

Change in Fair Value of Convertible Debentures

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

The net gain from the fair value adjustment to convertible debentures for the twelve months ended December 31, 2015 was $1.0 million, compared to a net loss of $0.5 million, in the prior year.

The net loss from the fair value adjustment to convertible debentures for the three months ended December 31, 2015 was $16 thousand, compared to a net gain of $252 thousand, 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 as previously mentioned. Distributions paid on these exchangeable units are based on the distributions paid to Plaza unitholders. The exchangeable LP units are exchangeable on a one-for-one basis into Plaza units at the option of the holders. The fair value of these exchangeable LP units is based on the trading price of Plaza's units.

The fair value adjustment to Class B exchangeable LP units for the three and twelve months ended December 31, 2015 was a net loss of $355 thousand and $804 thousand, respectively.

Administrative Expenses

(000s)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Salaries and other costs relating to development/redevelopment activities	**$ 432**	$ 398	**$ 1,997**	$ 1,853
Other salaries and administrative expenses	**1,609**	1,556	**6,675**	7,010
Total administrative expenses	**$ 2,041**	$ 1,954	**$ 8,672**	$ 8,863

Administrative expenses decreased by $191 thousand for the twelve months ended December 31, 2015, compared to the same period in the prior year mainly due to a decrease of $497 thousand in one-time costs incurred in 2014 for Plaza's conversion to a REIT structure. These decreases were partly offset by an increase in compensation expense of $223 thousand due to salary increases and due to deferred units being issued to trustees.

Administrative expenses for the three months ended December 31, 2015 remained relatively consistent with the prior year, increasing by $87 thousand.

Plaza maintains a fully internalized structure and therefore incurs costs related to development and redevelopment activities. These costs are viewed by management as capital in nature and, therefore, not indicative of regular income producing activities. Plaza carries close to $2.0 million per year, or $0.021 per unit per year, in these development/redevelopment costs included in administrative expenses and not otherwise capitalized for accounting purposes. 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 might otherwise be able to capitalize these costs for accounting purposes.

Income Tax Expense

As a result of Plaza's conversion to a REIT structure effective January 1, 2014 and the fact that Plaza is now a flow-through entity for tax purposes, income taxes are only recorded for taxable corporate subsidiaries.

(000s)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Current income taxes	**$ (30)**	$ (393)	**$ 77**	$ (124)
Deferred income taxes	**732**	2,540	**1,368**	(57,296)
Total income tax expense (recovery)	**$ 702**	$ 2,147	**$ 1,445**	$ (57,420)

The impact of the change in the tax status as a result of the conversion to a REIT has been recorded as a deferred tax recovery in the prior year.

Acquisitions/Dispositions

During the twelve months ended December 31, 2015, the Trust acquired land and building for re-development in Kenora, ON and in Midland, ON for $16.3 million. On September 30, 2015, the Trust sold an 80% interest in these two properties for $13.0 million. The Trust also acquired land and building in Moncton, NB for $4.0 million, Charlottetown, PE for $5.1 million, and in Sherbrooke, QC for $4.4 million. Land for development was acquired in Corner Brook, NL for $1.0 million and in Charlottetown, PE for $1.1 million.

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

During the twelve months ended December 31, 2015, the Trust disposed of income producing properties for net proceeds of $5.3 million in Selkirk, MB, Windsor, NS, Oshawa, ON, Toronto, ON, Whitby, ON and Mont-Laurier, QC. The Trust also disposed of land in Brandon, MB for net proceeds of $125 thousand and land in Sherbrooke, QC for $1.0 million. On September 30, 2015, the Trust sold an 80% interest in two income producing properties, one in Kenora, ON and the other in Midland, ON for $13.0 million, as noted above. Each of Plaza and its partner will earn a preferred return on capital invested in the properties, with the balance of cash flows from the properties being split 50%/50% to each partner. As well, the Trust disposed of an income producing property in Drayton Valley, AB for net proceeds of $550 thousand, which was recorded as an investment property held for sale at December 31, 2014.

Since the completion of the acquisition of KEYreit on June 26, 2013 to December 31, 2015, the Trust has sold 50 non-core KEYreit income producing properties for gross proceeds of approximately $66.7 million, which is approximately $16.8 million more than the Trust underwrote these properties for when it acquired KEYreit.

PART III

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

(000s except per unit and percentage data) (unaudited)	**Q4'15**	Q3'15	Q2'15	Q1'15	Q4'14	Q3'14	Q2'14	Q1'14
Total revenue [(1)]	**$24,079**	$25,434	$24,883	$27,458	$25,844	$24,922	$23,518	$24,169
Profit (loss) and total comprehensive income (loss)	**$5,036**	$9,092	$8,217	$16,250	$14,248	$9,906	$(4,273)	$ 65,564
Distributions per unit	**6.25¢**	6.25¢	6.25¢	6.25¢	6.00¢	6.00¢	6.00¢	6.00¢
Funds from operations per unit – basic and diluted	**9.3¢**	8.5¢	7.5¢	8.0¢	7.7¢	9.3¢	8.0¢	6.2¢
Adjusted funds from operations per unit – basic and diluted	**8.8¢**	8.0¢	7.1¢	7.9¢	7.0¢	7.3¢	7.6¢	6.5¢
Distributions as a percentage of basic FFO	**67.0%**	73.7%	83.1%	78.4%	81.8%	67.4%	74.8%	97.0%
Distributions as a percentage of basic AFFO	**70.8%**	78.1%	88.0%	79.5%	85.9%	81.7%	79.1%	92.4%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**5,424**	5,301	5,317	5,232	5,142	5,168	5,197	5,151
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**96.1%**	96.6%	95.7%	95.6%	96.4%	96.3%	95.9%	95.7%

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

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

Some of Plaza's leases have common cost recoveries from tenants linked to the consumer price index (CPI) or otherwise have caps on operating costs. At December 31, 2015, approximately 48.6% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (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 IV

OPERATING LIQUIDITY AND WORKING CAPITAL

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

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

Plaza maintains a relatively conservative cash distribution policy, in order to retain sufficient funds to manage the business, including ongoing maintenance capital expenditures. New debt or equity capital raised is generally directed to acquisitions or continuing development activities, which are discretionary, based on the availability of such capital.

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

(000s)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Cash provided by operating activities[(1)]	**$ 9,579**	$ 12,736	**$ 27,449**	$ 27,630
Total distributions[(2)(3)]	**5,884**	5,550	**23,507**	21,957
Excess of cash provided by operating activities over total distributions	**$ 3,695**	$ 7,186	**$ 3,942**	$ 5,673

(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 Distribution Reinvestment Plan (DRIP) and distributions on Class B exchangeable LP units classified as finance costs.

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

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

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Plaza took advantage of the robust debt markets in the prior year and undertook a significant refinancing program, including refinancing almost half of its assumed KEYreit loans. Plaza has early refinanced on more favourable terms, many mortgages that were originally set to mature in 2015, 2016 and 2017. During the year ended December 31, 2014, Plaza secured or refinanced approximately $165 million in mortgage loans and convertible debentures (at Plaza's consolidated share), generating approximately $1.4 million in annual cash flow savings or approximately $0.015 per unit. Plaza has continued to take advantage of the current debt market and interest rate conditions by early refinancing a number of mortgages in the current year. Annual cash flow savings from all the refinancings undertaken in 2015 will be approximately $0.9 million.

Operating and Development Facilities

(000s)	$30.0 Million Operating	$20.0 Million Development	$15.0 Million Development
December 31, 2014[1]	$ 6,155	$ -	$ 5,000
Net Change	20,331	3,503	2,899
December 31, 2015[1]	$ 26,486	$ 3,503	$ 7,899
Interest rate	Prime + 1.00% or BA + 2.25%	Prime + 1.00% or BA + 2.75%	Prime + 1.00% or BA + 2.25%
Maturity	July 31, 2016	July 31, 2016	July 31, 2016
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service, occupancy & leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	$500 thousand
Issued and outstanding	$532 thousand	-	-

(1) Excludes unamortized finance charges

Funding is secured by first mortgage charges on properties or development properties as applicable. The Trust must maintain certain financial ratios to comply with the facilities. As of December 31, 2015, all debt covenants in respect of the above facilities have been maintained.

Bridge Facility

On September 11, 2014, the Trust entered into a one-year secured bridge credit facility with a Canadian chartered bank for $30 million. The facility was entered into as interim financing in order to repay an existing mortgage on those secured assets and allow the Trust to refinance those assets. Interest was payable at prime plus 1.0% or BAs plus 2.25%. The Trust repaid this facility in full in March 2015 with cash on hand and the proceeds of two mortgages entered into on a majority of the bridge facility secured assets for $25.0 million.

Debentures and Mortgage Bonds

Mortgage bonds are secured by either property or cash.

On June 25, 2015, the Trust issued $6.0 million Series X floating mortgage bonds. These bonds have a five year term and an interest rate of 5.0%. These mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required. The Trust can redeem up to one-half of these bonds at par on the third and fourth anniversaries, being June 25, 2018 and June 25, 2019. Currently the bonds are pledged on a property located in Dieppe, NB.

In August 2015, the Trust renewed $3.86 million of the $4.0 million Series VII mortgage bonds for another twelve months. On the date of renewal $140 thousand of the mortgage bonds were redeemed and not renewed.

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

Mortgages

During 2015 the Trust obtained new long-term financing in the amount of $86.9 million (at Plaza's consolidated share) with a weighted average term of 7.6 years and a weighted average interest rate of 3.62%. Of that amount, $65.2 million were early refinancings replacing existing mortgages with a weighted average original term of 7.1 years and a weighted average interest rate of 5.01%.

As part of a property acquisition, the Trust assumed a $4.0 million variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate) during the three months ended June 30, 2015. The interest rate swap matures on August 13, 2023.

The Trust also has a $2.2 million variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.25% or BAs plus 2.50% and matures in August 2017. At December 31, 2015, $1.6 million has been drawn on the loan.

The Trust also has a $907 thousand variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.00% or BAs plus 2.50% and matures in December 2017. At December 31, 2015, $467 thousand has been drawn on the loan.

In May 2015, the Trust entered into a bond forward with a Canadian chartered bank for one of its equity-accounted investments in order to partially hedge interest rate risk for its development project there. The bond forward effectively fixed the Government of Canada bond rate for the project on its future long-term mortgage. The bond forward was for a notional amount of $15.0 million with a 10 year term. The Government of Canada bond rate under the bond forward was 1.907%. The bond forward does not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) were recognized in profit and loss. The execution of the mortgage in the fourth quarter of 2015 and the collapse of the bond forward resulted in an expense of $447 thousand recognized by the equity-accounted investee, of which Plaza owns a 20% interest.

In July 2015, the Trust entered into a bond forward with a Canadian chartered bank in order to partially hedge interest rate risk for two development properties. The bond forward effectively fixes the 10-year Government of Canada bond rate for the two properties on their future long-term mortgages, anticipated to be obtained in 2016. The bond forward is for a twelve month term and is for a notional amount of $6.0 million. The Government of Canada bond rate under the bond forward is 1.715%. The bond forward does not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) are recognized in profit and loss in the reporting period.

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

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

The following is a maturity chart by year:

(000s, except percentage data)	Year 1 2016	Year 2 2017	Year 3 2018	Year 4 2019	Year 5 2020	After 5 Years	Total
Long-term mortgages due at maturity	$23,382	$29,194	$17,634	$51,609	$61,998	$180,285	$364,102
Construction loans	-	2,099	-	-	-	-	2,099
Development lines of credit	11,402	-	-	-	-	-	11,402
Bank operating facility	26,486	-	-	-	-	-	26,486
Total	$61,270	$31,293	$17,634	$51,609	$61,998	$180,285	$404,089
As a percentage	15.2%	7.7%	4.4%	12.8%	15.3%	44.6%	100.0%
Weighted average expiring rate on long-term mortgages	5.34%	5.26%	4.65%	3.78%	4.83%	4.44%	

The weighted average term to maturity for the long-term mortgages is 6.5 years. The average remaining repayment (amortization) period on long-term mortgage debt is 24.6 years.

The ratio of debt to gross book assets at December 31, 2015 (excluding convertible debentures) is 50.4% compared to 48.6% at December 31, 2014. Including convertible debentures at cost, Plaza's debt to gross assets at December 31, 2015 is 56.3% compared to 54.9% at December 31, 2014. The Trust's general philosophy is to maintain its leverage at no more than approximately 50% excluding convertible debentures and approximately 55% including convertible debentures. By its Declaration of Trust, Plaza is limited to an overall indebtedness ratio of 60% excluding convertible debentures and 65% including convertible debentures.

Units Outstanding

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

At February 25, 2016 (000s)	Units
Current outstanding units	**92,906**
Class B exchangeable LP units	**1,319**
Series B convertible debentures	**1,547**
Series C convertible debentures	**3,215**
Series D convertible debentures	**5,913**
Total adjusted units outstanding	**104,900**

Deferred Unit Plan

In 2015, the Trust implemented a Deferred Unit Plan ("DU Plan") for non-employee trustees. Participants may be awarded deferred units ("DUs") from time to time on a discretionary basis by the Corporate Governance and Compensation Committee. Each DU is economically equivalent to one unit, however, under no circumstances shall DUs be considered units nor entitle a participant to any rights as a unitholder, including, without limitation, voting rights or rights on liquidation. Participants may also elect to receive, in the form of DUs, up to 100% of their annual Board retainer, meeting fees and additional compensation paid by the Trust to a trustee in a calendar year for service on the Board or for chairing a committee of the Board. Each DU shall receive a distribution of additional DUs equal to the amount of distributions paid per unit by the Trust on its units. DUs vest immediately upon grant or issuance. The DUs shall be redeemable by the participant on or after the date on which the participant ceases to be a trustee. The DUs may be redeemed in whole or in part for units of the Trust issued from treasury or cash, as elected by the participant, net of any applicable withholding taxes. Currently the maximum number of units that may be issued under the DU Plan upon the redemption of DUs is 750,000. A total of 17,098 DUs were granted or issued under the DU Plan as at December 31, 2015 and compensation expense of $80 thousand has been recorded.

Land Leases

Return on invested cash or equity is a measure Plaza uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall unitholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plaza has 26 long-term land leases (affecting 25 properties) with total annual rent of $3.1 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9.4% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options. Of the 26 land leases, 10 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

(000s)	**3 Months Ended December 31, 2015 (unaudited)**	3 Months Ended December 31, 2014 (unaudited)	**12 Months Ended December 31, 2015**	12 Months Ended December 31, 2014
Leasing fees – existing properties	**$ 140**	$ 26	**$ 390**	$ 178
Leasing fees – redevelopment properties	**-**	26	**62**	52
Leasing fees – new developments	**33**	28	**128**	50
Total leasing fees	**173**	80	**580**	280
Capital additions – existing properties	**853**	472	**2,811**	2,122
Capital additions – redevelopment properties	**1,496**	1,430	**11,606**	12,815
Capital additions – new developments[(1)]	**10,860**	6,648	**49,027**	21,458
Total capital additions	**13,209**	8,550	**63,444**	36,395
Total gross additions	**$ 13,382**	$ 8,630	**$ 64,024**	$ 36,675

[(1)] Includes new developments and newly acquired properties for redevelopment. During the year this includes the purchase of two properties located in Kenora and Midland, ON for $16.3 million, an 80% interest in which was sold on September 30, 2015 for $13.0 million; refer to Acquisitions/Dispositions on page 24.

COMMITMENTS AND CONTINGENT LIABILITIES

The Trust has $4.8 million in short-term commitments in respect of development activities. Management believes that Plaza has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments. The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of properties where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2015 totals $5.7 million with a weighted average remaining term of 7.1 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $18.6 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of $568 thousand. This amount is subject to cross-guarantees by the other co-owners.

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, 2015, the Trust held interests in 308 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk

Management Note 25 to the December 31, 2015 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 25, 2015 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

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

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used on its operating line of credit and for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The Trust mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. At existing financing rates, the Trust is able to obtain positive returns from debt financing. The quality of the Trust's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Trust has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management believes that all debts maturing in 2016 or properties needing long term financing in 2016 will be able to be financed or refinanced as they come due.

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

Credit Risk

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

Currently one tenant, Shoppers Drug Mart, represents 24.7% of current monthly base rents in place. The top 10 tenants collectively represent approximately 58.5% of current monthly base rents in place. National and regional tenants represent 94.6% of the in-place tenant base.

Lease Roll-Over and Occupancy Risk

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

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

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

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately $638 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes. Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

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

Environmental Risk

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

Status of the REIT

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

PART VI

RELATED PARTY TRANSACTIONS

Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

(000s)	December 31, 2015	December 31, 2014
Non-interest bearing notes:		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and Trustee of the Trust	**$ 261**	$ 261

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, 2015	December 31, 2014
Earl Brewer	**$ 219**	$ 219
Edouard Babineau	**250**	250
Michael Zakuta	**250**	250
Total	**$ 719**	$ 719

Other key management personnel own $45 thousand in mortgage bonds of the Trust at December 31, 2015 (December 31, 2014 - $45 thousand).

Other Related Party Transactions

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, 2015 there is $120 thousand owed by the Gateway Mall to all of the owners of the mall. The pro rata amount owed to the Trust is $30 thousand. As well, there is a $5 thousand accounts receivable balance owing to the Trust for property management fees. For the year ended December 31, 2015, property management fees of $69 thousand were earned by a subsidiary of the Trust from this property.

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

Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. There is a $15 thousand accounts receivable balance owing to the Trust for property management fees. For the year ended December 31, 2015, property management fees of $201 thousand were earned by a subsidiary of the Trust from this property.

Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) manages 527 Queen Street, Fredericton, NB a property owned indirectly by Michael Zakuta and Earl Brewer. For the year ended December 31, 2015, property management fees of $39 thousand were earned by Plaza Group Management Limited from this property.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design and operating effectiveness of the Trust's DC&P and ICFR at December 31, 2015. Based on that evaluation they determined that the Trust's DC&P and ICFR were appropriately designed and were operating effectively based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the year ended December 31, 2015, there were no changes in the Trust's ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

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

(i) Investment properties

One significant judgment and key estimate that affects the reported amounts of assets at the date of the Consolidated Financial Statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Trust or by external 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 discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2015, and have not been applied in preparing the Consolidated Financial Statements. Please see Note 3 to the Consolidated Financial Statements for further details about future accounting policy changes.

ADDITIONAL INFORMATION

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

PROPERTIES OF THE TRUST

A chart listing the Trust's properties at December 31, 2015 can be accessed on Plaza's website at www.plaza.ca.

APPENDIX A

FOURTH QUARTER 2015 INCOME RESULTS

Consolidated Statements of Comprehensive Income

(000s) (unaudited)	3 Months Ended December 31, 2015	3 Months Ended December 31, 2014
Revenues	**$ 24,337**	$ 23,448
Operating expenses	**(9,044)**	(8,785)
Net property operating income	**15,293**	14,663
Share of profit (loss) of associates	**(2,023)**	1,692
Administrative expenses	**(2,041)**	(1,954)
Investment income	**85**	74
Other income	**1,680**	630
Income before finance costs, fair value adjustments and income taxes	**12,994**	15,105
Finance costs	**(7,083)**	(6,883)
Finance costs – net change in fair value of convertible debentures	**(16)**	252
Finance costs – net change in fair value of Class B exchangeable LP units	**(355)**	-
Finance costs – net change in fair value of interest rate swap and bond forward	**(41)**	-
Net change in fair value of investment properties	**239**	7,921
Profit before income tax	**5,738**	16,395
Income tax recovery (expense)		
- Current	**30**	393
- Deferred	**(732)**	(2,540)
	(702)	(2,147)
Profit and total comprehensive income for the period	**$ 5,036**	$ 14,248
Profit and total comprehensive income for the period attributable to:		
- Unitholders	**$ 4,740**	$ 15,017
- Non-controlling interests	**296**	(769)
	$ 5,036	$ 14,248

To the Unitholders of Plaza Retail REIT

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

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

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

Michael Zakuta
President and CEO
February 25, 2016

Floriana Cipollone
Chief Financial Officer
February 25, 2016

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Plaza Retail REIT

We have audited the accompanying consolidated financial statements of Plaza Retail REIT, which comprise the consolidated statements of financial position as at December 31, 2015, and December 31, 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Plaza Retail REIT as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
February 25, 2016
Fredericton, Canada

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Plaza Retail REIT

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

	December 31, 2015	December 31, 2014
Assets		
Non-Current Assets		
Investment properties (Note 5)	**$ 945,757**	$ 889,291
Investments (Note 6)	**40,599**	33,435
Tenant loans	**1,798**	2,346
Deferred income tax asset (Note 16)	**237**	571
	988,391	925,643
Current Assets		
Cash	**2,744**	6,370
Receivables (Note 7)	**3,458**	1,850
Prepaid expenses and deposits (Note 8)	**3,560**	5,302
Investments (Note 6)	**19,211**	5,485
Income taxes receivable	**39**	-
Notes receivable (Note 9)	**4,684**	5,131
Investment properties held for sale (Note 5)	**1,800**	550
	35,496	24,688
	$ 1,023,887	$ 950,331
Liabilities and Unitholders' Equity		
Non-Current Liabilities		
Debentures payable (Note 10)	**$ 55,242**	$ 65,509
Mortgage bonds payable (Note 11)	**8,887**	5,014
Mortgages payable (Note 12)	**407,420**	385,017
Class B exchangeable LP units (Note 18)	**6,199**	-
Deferred income tax liability (Note 16)	**6,076**	5,042
	483,824	460,582
Current Liabilities		
Current portion of debentures payable (Note 10)	**9,248**	-
Bank indebtedness (Note 14)	**26,486**	6,155
Current portion of mortgage bonds payable (Note 11)	**5,874**	3,981
Current portion of mortgages payable (Note 12)	**63,882**	31,655
Bridge facility (Note 13)	**-**	27,537
Accounts payable and accrued liabilities	**13,106**	11,860
Notes payable (Note 15)	**1,175**	1,175
Mortgages payable on investment properties held for sale (Note 12)	**742**	-
	120,513	82,363
	604,337	542,945
Unitholders' equity	**415,665**	396,243
Non-controlling interests	**3,885**	11,143
	419,550	407,386
	$ 1,023,887	$ 950,331

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

Barbara Trenholm, Trustee

Earl Brewer, Trustee

The notes on pages 41 to 71 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	2015	2014
Revenues	**$ 96,050**	$ 93,376
Operating expenses (Note 17)	**(35,152)**	(33,589)
Net property operating income	**60,898**	59,787
Share of profit of associates	**2,422**	2,206
Administrative expenses (Note 17)	**(8,672)**	(8,863)
Investment income	**340**	455
Other income	**3,042**	2,416
Income before finance costs, fair value adjustments and income taxes	**58,030**	56,001
Finance costs	**(27,614)**	(27,225)
Finance costs – net change in fair value of convertible debentures (Note 10)	**1,042**	(523)
Finance costs – net change in fair value of Class B exchangeable LP units (Note 18)	**(804)**	-
Finance costs – net change in fair value of interest rate swap and bond forward (Notes 12 and 25)	**(206)**	-
Net change in fair value of investment properties (Note 5)	**9,592**	(228)
Profit before income tax	**40,040**	28,025
Income tax recovery (expense)		
- Current	**(77)**	124
- Deferred	**(1,368)**	57,296
	(1,445)	57,420
Profit and total comprehensive income for the year	**$ 38,595**	$ 85,445
Profit and total comprehensive income for the year attributable to:		
- Unitholders	**$ 38,054**	$ 85,275
- Non-controlling interests	**541**	170
	$ 38,595	$ 85,445

The notes on pages 41 to 71 are an integral part of these consolidated financial statements.

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

	Trust Units (Note 18)	Shares (Note 18)	Retained Earnings	Total Attributable to Unitholders	Non-Controlling Interests	Total Equity
Balance as at December 31, 2013	$ -	$ 213,400	$ 102,802	$ 316,202	$ 11,439	$ 327,641
REIT conversion, effective January 1, 2014	212,007	(213,400)	-	(1,393)	-	(1,393)
Profit and total comprehensive income for the year	-	-	85,275	85,275	170	85,445
Transactions with unitholders, recorded directly in equity:						
- Contributions by unitholders - DRIP and RSU Plan	19,967	-	-	19,967	-	19,967
- Distributions to unitholders (Note 20)	-	-	(23,808)	(23,808)	-	(23,808)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	(466)	(466)
Balance as at December 31, 2014	$ 231,974	$ -	$ 164,269	$ 396,243	$ 11,143	$ 407,386
Acquisition of non-controlling interests (Note 4)	-	-	3,295	3,295	(7,626)	(4,331)
Profit and total comprehensive income for the year	-	-	38,054	38,054	541	38,595
Transactions with unitholders, recorded directly in equity:						
- Contributions by unitholders - DRIP and RSU plan	1,250	-	-	1,250	-	1,250
- Distributions to unitholders (Note 20)	-	-	(23,177)	(23,177)	-	(23,177)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	(173)	(173)
Balance as at December 31, 2015	$ 233,224	$ -	$ 182,441	$ 415,665	$ 3,885	$ 419,550

The notes on pages 41 to 71 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	2015	2014
Cash obtained from (used for):		
Operating activities		
Profit and total comprehensive income for the year	**$ 38,595**	$ 85,445
Finance costs	**27,614**	27,225
Items not affecting cash:		
Share of profit of associates	**(2,422)**	(2,206)
Net change in fair value of investment properties	**(9,592)**	228
Net change in fair value of convertible debentures	**(1,042)**	523
Net change in fair value of Class B exchangeable LP units	**804**	-
Net change in fair value of interest rate swap and bond forward (Notes 12 and 25)	**206**	-
Current and deferred income taxes	**1,445**	(57,420)
Straight-line rent revenue	**(106)**	108
Interest paid	**(26,492)**	(26,838)
Income taxes received (paid)	**(121)**	1,184
Distributions from equity accounted investments (Note 6)	**811**	1,257
Leasing commissions	**(580)**	(280)
Change in non-cash working capital (Note 21)	**(1,671)**	(1,596)
	27,449	27,630
Financing activities		
Issue of notes payable	**-**	256
Distributions paid to unitholders (Note 20)	**(23,177)**	(21,957)
Distributions paid to Class B exchangeable LP unitholders	**(330)**	-
Distribution reinvestment proceeds (Note 18)	**1,124**	2,351
Cash received on acquisition (Note 4)	**840**	-
Gross proceeds of mortgage bonds and debentures	**6,000**	3,000
Redemption of mortgage bonds and debentures	**(140)**	(20,991)
Fees incurred for placement of mortgage bonds and debentures	**(166)**	(101)
Gross mortgage proceeds	**118,127**	132,691
Fees incurred for placement of mortgages	**(800)**	(1,597)
Loan defeasance expenses and early mortgage discharge fees paid	**(1,160)**	(625)
Mortgages repaid	**(48,129)**	(122,708)
Bridge facility proceeds (Note 13)	**-**	30,000
Bridge facility repayments (Note 13)	**(27,600)**	(47,788)
Fees incurred for bridge facility	**-**	(174)
Periodic mortgage principal repayments	**(9,456)**	(8,826)
	15,133	(56,469)
Investing activities		
Acquisitions, developments and redevelopments	**(63,444)**	(36,395)
Net proceeds from disposal of investment property and land (Note 5(f))	**13,528**	47,213
Bonds purchased for mortgage defeasances (Note 6)	**(16,858)**	(8,639)
Redemptions of bonds purchased for mortgage defeasances (Note 6)	**6,285**	470
Advances to equity accounted investments for developments (Note 6)	**(8,712)**	(125)
Contributions paid by subsidiaries to non-controlling interests	**(173)**	(466)
Decrease (increase) in deposits for acquisitions and financings (Note 8)	**2,059**	(1,254)
Decrease in notes receivable	**228**	2,965
Repayment of tenant loans	**548**	586
Funding of tenant loans	**-**	(581)
	(66,539)	3,774
Net increase (decrease) in cash	**(23,957)**	(25,065)
Cash less bank indebtedness, beginning of the year	**215**	25,280
Cash less bank indebtedness, end of the year	**$ (23,742)**	$ 215

The notes on pages 41 to 71 are an integral part of these consolidated financial statements.

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

1. Reporting Entity

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

REIT Conversion

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

In conjunction with the conversion, the Trust moved from a quarterly dividend to a monthly distribution. The Trust is a flow-through vehicle, therefore only deferred taxes of the Trust's corporate subsidiaries are recorded. The impact of the change in the tax status as a result of the conversion has been recorded as a deferred tax recovery in the prior year, except for the tax effect related to amounts recorded in equity, which are credited directly to equity in accordance with SIC-25, "Income taxes – changes in the tax status of an entity or its shareholders".

The reconciliation of the deferred income tax recovery (expense) for December 31, 2014 is as follows:

Recovery from derecognition on conversion	$ 59,743
Expense for December 31, 2014 results	(2,447)
Net deferred tax recovery for December 31, 2014	$ 57,296

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

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

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").

These consolidated financial statements were authorized for issue by the Board of Trustees of the Trust on February 25, 2016.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items in the consolidated statements of financial position that are measured at fair value:

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

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

(c) Use of Estimates and Judgments

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

(i) Investment property

One significant judgment and key estimate that affects the reported amounts of assets at the date of the consolidated financial statements and the reported amounts of profit or loss during the year, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Trust or by external 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 balance sheet as a separate component of total equity.

(ii) Associates and joint ventures

Associates are entities over which the Trust has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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 joint venture. The Trust's share of the joint venture's profit or loss is recognized in the Trust's consolidated statements of comprehensive income.

(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 consolidated commercial properties, development properties, land held for future development and land parcels that become surplus after assembly and subdivision of parcels used for development. Investment properties include interests held under land leases. The Trust has adopted application of IAS 40, "Investment property", and has chosen the fair value method of valuing its investment properties. Fair value represents the amount at which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction at the date of valuation.

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

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

(i) Rental revenue

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

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

(ii) Straight-line rent

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

(e) Income Taxes

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

(f) Cash

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

(g) Unit-based Payments

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

The Trust issues unit-based awards, comprised of deferred units, to non-employee trustees. Under the deferred unit plan, the fair value of the deferred units granted is recognized as compensation expense in the period the deferred units are granted and the fair value is updated at the end of each reporting period. Fair value is determined with reference to the market price of the Trust's units.

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

(h) Investments

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

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

(i) Financial Instruments

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

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

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

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

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

A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. A financial asset is classified as held for trading if it has been acquired principally for the purpose of

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

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

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

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

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

(iii) Held-to-maturity financial assets

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

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

(iv) Loans and receivables

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

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

(v) Available-for-sale financial assets

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

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

(vi) Other financial liabilities

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

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

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

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

(vii) Trust Units

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

(j) Derivative Financial Instruments

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

(k) Leasing Costs

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

(l) Finance Costs

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

(m) Changes in Accounting Policies

(i) Annual Improvements to IFRS

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

(n) Future *Changes in Accounting Policies*

(i) Annual Improvements to IFRS

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

(ii) Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014), "Financial instruments"). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Trust intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(iii) Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". The new standard is effective for fiscal years ending on or after January 1, 2018 and is available for early adoption.

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

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Trust intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of this standard has not yet been determined.

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

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

The Trust intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Trust does not expect the amendments to have a material impact on the financial statements.

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

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

The Trust intends to early adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Trust does not expect the amendments to have a material impact on the financial statements.

(vi) Presentation of Financial Statements

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

(vii) Leases

On January 13, 2016 the IASB issued IFRS 16, "Leases". The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, "Leases".

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The extent of the impact of adoption of this standard has not yet been determined.

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

4. Acquisition of Equity Partners' Interests

Effective January 1, 2015, the Trust acquired the non-controlling interests of four entities that together own seven properties located in New Brunswick and Prince Edward Island. In addition, the Trust acquired a 43% interest in a property located in Prince Edward Island, in which the Trust already owned an interest. The Trust owned interests in each of the entities/property before and after the transactions, as follows:

	December 31, 2014	January 1, 2015
Spring Park Plaza Inc.	85%	100%
Exhibition Plaza Inc.	55%	90%
Granville Street Properties Limited Partnership	60%	90%
Wildan Properties Limited Partnership	60%	90%
University Plaza	43%	86%

The net purchase price, after the assumption of debt, was $6.1 million, which was satisfied through the issuance of 1,319,000 Class B exchangeable LP units (Note 18) of a subsidiary LP at $4.60 per unit, which are exchangeable at any time into units of the Trust on a one-for-one basis. On the closing date, the market price of the Trust's units was $4.09 and the difference between the amount by which non-controlling interests are adjusted and the fair value of consideration paid is recognized in equity, as follows:

Fair value of non-controlling interests acquired	$ 8,007
Less: issuance of 1,152,000 Class B exchangeable LP units	(4,712)
Increase in retained earnings	$ 3,295

With respect to University Plaza, it was previously accounted for as a joint operation and the Trust's 43% interest was proportionately consolidated. Following the acquisition, the Trust consolidates University Plaza with a 14% non-controlling interest. The purchase of the 43% interest in University Plaza has been accounted for as an acquisition of assets, as follows:

Fair value of net assets acquired:	
Investment property	$ 3,299
Cash	840
Receivables	13
Prepaid expenses and deposits	2
Mortgage payable	(2,248)
Notes payable	(97)
Accounts payable and accrued liabilities	(623)
Non-controlling interest	(503)
Total net assets acquired	$ 683

Purchase price satisfied by:	
Issuance of 167,000 Class B exchangeable LP units	$ 683

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

5. Investment Properties

	December 31, 2015	December 31, 2014
Balance, beginning of the year:	**$ 889,291**	$ 900,165
Additions (deductions):		
Additions to investment properties	**32,832**	28,873
Acquisition of controlling interest of University Plaza (Note 4)	**3,299**	-
Additions – acquisitions of investment properties and land	**31,962**	8,352
Disposals	**(19,504)**	(47,213)
Investment properties held for sale	**(1,800)**	(550)
Straight line rent receivable change	**85**	(108)
Fair value adjustment	**9,592**	(228)
Balance, end of the year:	**$ 945,757**	$ 889,291

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

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

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, $164 million of investment properties were based on such external appraisals (December 31, 2014 - $99.0 million).

(ii) Internal approach - direct capitalization income approach

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

As at December 31, 2015 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	67	6.45%	5.50% - 8.00%	5.75% - 9.00%
Quick Service Restaurant	136	7.15%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	16	7.04%	6.00% - 8.25%	6.50% - 9.00%
Anchored Strip – Class B	26	6.92%	6.25% - 8.50%	7.00% - 10.00%
Unanchored Strip	35	7.90%	6.00% - 9.00%	6.50% - 10.00%
Enclosed Malls – Community	5	7.85%	7.50% - 9.50%	7.50% - 11.00%
	285	7.04%		

(1) Excludes properties under development recorded at cost and non-consolidated trusts and partnerships.

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

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

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

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

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

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

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

At December 31, 2015 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 $34.1 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $31.7 million.

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

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

(1) Excludes properties under development recorded at cost and non-consolidated trusts and partnerships.

(a) Straight-line Rent

Included in investment properties at December 31, 2015 is $11.9 million (December 31, 2014 - $11.8 million) of straight line rents receivable arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, "Leases".

(b) Surplus Land

Included in investment properties at December 31, 2015 is $4.0 million of surplus lands at fair value (December 31, 2014 - $675 thousand).

(c) Properties Under Development

Included in investment properties at December 31, 2015 is $39.0 million of properties under development/redevelopment (December 31, 2014 - $54.3 million).

(d) Borrowing Costs

The total amount of borrowing costs capitalized for the year ended December 31, 2015 is $335 thousand (for the year ended December 31, 2014 - $346 thousand).

(e) Acquisitions

During the year ended December 31, 2015, the Trust acquired land and building for re-development in Kenora, ON and in Midland, ON for $16.3 million. On September 30, 2015, the Trust sold an 80% interest in these two properties (see Note 5(f)). The Trust also acquired land and building in Moncton, NB for $4.0 million, Charlottetown, PE for $5.1 million, and in

Sherbrooke, QC for $4.4 million. Land for development was acquired in Corner Brook, NL for $1.0 million and in Charlottetown, PE for $1.1 million.

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

(f) Disposals

During the year ended December 31, 2015, the Trust disposed of income producing properties for net proceeds of $5.3 million in Selkirk, MB, Windsor, NS, Oshawa, ON, Toronto, ON, Whitby, ON and Mont-Laurier, QC. The Trust also disposed of land in Brandon, MB for net proceeds of $125 thousand and land in Sherbrooke, QC for $1.0 million. On September 30, 2015, the Trust sold an 80% interest in two income producing properties, one in Kenora, ON and the other in Midland, ON for $13.0 million. The 20% retained interest is accounted for on a proportionate consolidation basis. Each of the Trust and its partner will earn a preferred return on capital invested in the properties, with the balance of cash flows from the properties being split 50%/50% to each partner. As well, the Trust disposed of an income producing property in Drayton Valley, AB for net proceeds of $550 thousand, which was recorded as an investment property held for sale at December 31, 2014.

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

(g) Investment Properties Held For Sale

The Trust has segregated investment properties held for sale of $1.8 million for properties located in Toronto, ON and Windsor, ON (December 31, 2014 - $550 thousand in Drayton Valley, AB).

(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, 2015	December 31, 2014
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	**$ 9,625**	$ 9,754
Trois Rivières Limited Partnership	15%	10%	30%	**2,329**	2,299
Plazacorp-Shediac Limited Partnership	10%	8%	50%	**1,463**	1,420
VGH Limited Partnership	20%	8%	27%	**2,785**	2,099
Plazacorp Ontario1 Limited Partnership	25%	4%	25%	**2,174**	2,085
Plazacorp Ontario2 Limited Partnership	50%	-	-	**3,288**	2,986
Plazacorp Ontario3 Limited Partnership	50%	-	-	**2,038**	1,866
Plazacorp Ontario4 Limited Partnership	50%	-	-	**1,711**	1,829
RBEG Limited Partnership	50%	-	-	**2,329**	1,961
CPRDL Limited Partnership	50%	-	-	**2,148**	2,290
Fundy Retail Ltd.	50%	-	-	**697**	1,197
St. Hyacinthe Limited Partnership	25%	-	-	**169**	137
The Shoppes at Galway Limited Partnership	50%	-	-	**8,596**	-
				39,352	29,923
Fair Value Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	**1,148**	260
				40,500	30,183
Held-to-Maturity Investments	**Maturity Dates**	**Weighted Average Rate**			
Bonds and cash – substituted for mortgage security	Feb 1/16 – Aug 1/17	1.8%		**19,310**	8,737
Total investments				**59,810**	38,920
Less: Current portion of investments				**(19,211)**	(5,485)
Investments – long-term portion				**$ 40,599**	$ 33,435

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

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

Held-to-maturity investments at December 31, 2015 include Government of Canada Bonds totalling $19.2 million (December 31, 2014 – $8.6 million) with yields which are between 1.25% and 3.00%. Remaining held-to-maturity investments are made up of mortgage bonds totaling $96 thousand with a yield of 7% (December 31, 2014 - $96 thousand with a yield of 7%). All of the bonds were pledged as substitute security for mortgages under defeasance agreements.

For the year ended December 31, 2015 the Trust received $811 thousand of distributions (for the year ended December 31, 2014 - $1.3 million) from equity accounted investments. For the year ended December 31, 2015 the Trust made $8.7 million in contributions (for the year ended December 31, 2014 - $125 thousand) to its equity accounted investments. The current year contribution of $8.7 million was to establish the equity for the new 50-50 joint venture, The Shoppes at Galway Limited Partnership.

(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, 2015		December 31, 2014	
	Equity accounted investments	**Fair value accounted investments**	Equity accounted investments	Fair value accounted investments
Cash	**$ 3,773**	**$ 717**	$ 3,715	$ 2,807
Current assets	**$ 1,226**	**$ 611**	$ 3,799	$ 130
Long term assets	**$ 264,200**	**$ 42,633**	$ 211,599	$ 43,199
Current liabilities	**$ 1,402**	**$ 235**	$ 3,501	$ 325
Long term liabilities	**$ 132,673**	**$ 30,755**	$ 98,980	$ 32,878
Revenues	**$ 18,566**	**$ 3,264**	$ 17,554	$ 3,017
Expenses	**$ (11,370)**	**$ (3,327)**	$ (10,486)	$ (3,894)
Fair value gain (loss)	**$ (1,370)**	**$ (915)**	$ 1,253	$ 384
Profit (loss)	**$ 5,826**	**$ (978)**	$ 8,321	$ (493)

7. Receivables

Receivables consist of the following:

	December 31, 2015	December 31, 2014
Tenant accounts receivable, net of allowance	**$ 1,356**	$ 956
Excise tax	**1,364**	484
Other receivables	**738**	410
Total receivables	**$ 3,458**	$ 1,850

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis taking into consideration lease terms, industry conditions and status of the tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance at December 31, 2015 is $250 thousand (December 31, 2014 - $69 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the year ended December 31, 2015 (for the year ended December 31, 2014 – nil).

8. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2015	December 31, 2014
Prepaid expenses	**$ 2,346**	$ 1,954
Deposits for acquisitions and financings	**440**	2,499
Restricted deposits, primarily property tax escrows under mortgage agreements	**774**	849
Total prepaid expenses and deposits	**$ 3,560**	$ 5,302

9. Notes Receivable

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

(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, 2015**	December 31, 2014
Convertible[1]				
Series B	December 31, 2016	8.00%	**$ 9,248**	$ 9,228
Series C	December 31, 2017	7.00%	**17,598**	17,555
Series D	December 31, 2018	5.75%	**33,660**	34,765
Total convertible debentures			**60,506**	61,548
Non-convertible[2] [3]	Various (see below)	5.00%	**3,984**	3,961
Total debentures payable			**64,490**	65,509
Less: current portion of debentures payable			**(9,248)**	-
Debentures payable – long-term portion			**$ 55,242**	$ 65,509

[1] Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2015 was a gain of $1,042 thousand (2014 – loss of $523 thousand)
[2] Recorded at amortized cost
[3] Net of unamortized finance charges of $16 thousand (2014 - $39 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

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

Non-convertible debenture maturities are as follows:

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

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

(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 the following properties:

						December 31, 2015	December 31, 2014
	Series V	**Series VI**	**Series VII**	**Series IX**	**Series X**	**Total**	Total
Boulevard Hebert Plaza, Edmundston, NB, 1st mortgage	$ 1,185	$ -	$ -	$ -	$ -	**$ 1,185**	$ 1,185
Fairville Boulevard (ANBL), Saint John, NB, 1st mortgage	-	900	-	-	-	**900**	900
Lansdowne redevelopment lands, Saint John, NB, 1st mortgage	-	-	3,860	-	-	**3,860**	4,000
Various properties, 1st mortgage	-	-	-	3,000	-	**3,000**	3,000
Champlain II, Dieppe, NB, 1st mortgage	-	-	-	-	6,000	**6,000**	-
Gross mortgage bonds payable	1,185	900	3,860	3,000	6,000	**14,945**	9,085
Less: unamortized finance charges						**(184)**	(90)
Less: current portion of mortgage bonds payable						**(5,874)**	(3,981)
Net mortgage bonds payable – long-term portion						**$ 8,887**	$ 5,014

	Series V	**Series VI**	**Series VII**	**Series IX**	**Series X**
Interest Rate	8.00%	5.25%	6.00%	5.50%	5.00%
Maturity Date	June 4, 2016	February 23, 2016	August 15, 2016	July 15, 2017	June 25, 2020
Amount	$1,185	$900	$3,860	$3,000	$6,000

On June 25, 2015, the Trust issued $6.0 million Series X floating mortgage bonds. These mortgage bonds can be deployed up to 90% of the cost of a property under a first or second charge on that property. If it is a second charge, the total debt, including mortgage bonds, cannot exceed 90%. These mortgage bonds can be reallocated to different properties from time to time as required. The Trust can redeem up to one-half of these bonds at par on the third and fourth anniversaries, being June 25, 2018 and June 25, 2019.

The Trust has no right to redeem any of the Series V, VI, VII and IX mortgage bonds prior to their maturity date.

In August 2015, the Trust renewed $3.86 million of the $4.0 million Series VII mortgage bonds for a further twelve months. On the date of renewal $140 thousand of the mortgage bonds were redeemed and not renewed.

(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, 2015	December 31, 2014
Fixed rate loans:	2.83% - 7.29%	4.76%	Up to June 2034	**$ 460,506**	$ 410,866
Fair value of interest rate swap				**440**	-
Fair value of bond forward for future long-term mortgage				**131**	-
Revaluation of loans upon acquisition of KEYreit, net of amortization of $5,259 (December 31, 2014 - $3,755)				**775**	2,279
Less: unamortized finance charges				**(3,250)**	(3,221)
Total net fixed rate loans				**458,602**	409,924
Variable rate loans:					
- $20 million development facility	Prime plus 1.00% or BA plus 2.75%		July 31, 2016	**3,503**	-
- $15 million development facility	Prime plus 1.00% or BA plus 2.25%		July 31, 2016	**7,899**	5,000
- $2.2 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		August 26, 2017	**1,632**	-
- $4.4 million secured construction loan	Prime plus 1.00%		Matured	**-**	1,845
- $907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		December 16, 2017	**467**	-
Less: unamortized finance charges				**(59)**	(97)
Total net variable rate loans				**13,442**	6,748
Net mortgages payable				**472,044**	416,672
Less: mortgages payable for investment properties held for sale				**(742)**	-
Less: mortgages payable – current portion				**(63,882)**	(31,655)
Total mortgages payable – long-term portion				**$ 407,420**	$ 385,017

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

To fund development activities the Trust has two 365-day revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a $20.0 million facility that bears interest at prime plus 1.00% or BAs plus 2.75%, and the other is a $15.0 million facility that bears interest at prime plus 1.00% or BAs plus 2.25%. At December 31, 2015 there is $23.6 million available on these development facilities (December 31, 2014 - $30.0 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, 2015 the Trust is in compliance with all financial covenants.

As part of a property acquisition, the Trust assumed a $4.0 million variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate) during the second quarter of 2015. The interest rate swap matures on August 13, 2023 and is recorded at fair value with the change in fair value recorded in profit or loss.

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

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

13. Bridge Facility

In September 2014, the Trust entered into a one-year secured bridge credit facility with a Canadian chartered bank for $30 million. The facility was entered into in order to repay an existing mortgage on those secured assets and allow the Trust to refinance those assets. The facility was extendible for six months at the Trust's request and with the lender's consent. The Trust could prepay the facility in whole or in part at any time without penalty. Interest was at the rate of prime plus 1.00% or BAs plus 2.25%. The Trust repaid this facility in full in March 2015.

	Maturity Date	**December 31, 2015**	December 31, 2014
$30 million bridge facility	September 11, 2015	**$ -**	$ 27,600
Less: unamortized finance charges		-	(63)
Total bridge facility		**$ -**	$ 27,537

14. Bank Indebtedness

The Trust has a $30.0 million (December 31, 2014 - $30.0 million) operating line of credit facility with a Canadian chartered bank at the rate of prime plus 1.00% or BAs plus 2.25%, maturing July 31, 2016. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at December 31, 2015, the available limit was $30.0 million. At December 31, 2015, $26.5 million (December 31, 2014 – $6.2 million) was drawn on the facility and therefore the maximum amount available to be drawn on the facility was $3.0 million (December 31, 2014 – $23.8 million), net of letters of credit outstanding of $532 thousand (December 31, 2014 - $20 thousand). As security, at December 31, 2015, the Trust has provided a $50.0 million demand debenture secured by a first mortgage over twenty three properties.

15. Notes Payable

Notes payable consist of the following:

	Interest Rate	**December 31, 2015**	December 31, 2014
Non-interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Trustee of the Trust [(1)]	n/a	**$ 261**	$ 261
Unrelated parties and non-controlling interests	n/a	**914**	914
Total notes payable		**$ 1,175**	$ 1,175

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

16. Income Taxes

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

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

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

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

	December 31, 2015	December 31, 2014
Deferred income tax assets		
Tax loss carry-forwards of subsidiaries	**$ 237**	$ 571
Deferred income tax liabilities		
Income producing properties	**6,076**	5,042
Net deferred income tax liability	**$ 5,839**	$ 4,471

17. Employee Salaries and Benefits

Total employee salaries and benefits paid by the Trust during the year were $9.7 million, of which $3.5 million is included in operating expenses, $5.7 million is included in administrative expenses, and $0.5 million has been capitalized to income producing properties (for the year ended December 31, 2014 - $9.4 million, of which $3.3 million is in operating expenses, $5.6 million is in administrative expenses and $0.5 million is in income producing properties).

18. Unitholders' Equity

(a) Authorized

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

Each special voting unit shall have no economic entitlement nor beneficial interest in the Trust 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

One of the Trust's subsidiaries issued 1,319,000 Class B exchangeable LP units effective January 1, 2015. These units were issued as satisfaction for the net purchase price for the Trust's acquisition of the interests of certain equity partners in eight properties (see Note 4). These Class B exchangeable units are economically equivalent to units of the Trust and are exchangeable at any time into units of the Trust on a one-for-one basis. These units are puttable instruments where the Trust has a contractual obligation to issue Trust units to the exchangeable unitholders upon redemption.

Holders of the exchangeable LP units are entitled to receive distributions per unit equal to distributions per unit provided to the unitholders of the Trust.

	Units	**Amount**
Exchangeable LP units outstanding, beginning of the year	**-**	**$ -**
Exchangeable LP units issued during the year	**1,319,000**	**5,395**
Fair value adjustment	**-**	**804**
Exchangeable LP units outstanding, end of the year	**1,319,000**	**$ 6,199**

(ii) Special Voting Units

At December 31, 2015, there were 1,319,000 special voting units outstanding, issued in connection with 1,319,000 Class B exchangeable LP units of a subsidiary of the Trust (see Note 4 and above).

(iii) Units

	December 31, 2015		December 31, 2014		
	Trust Units (000s)	**Amount**	Trust Units (000s)	Shares (000s)	Amount
Units/shares outstanding, beginning of the year	**92,564**	**$ 231,974**	-	87,928	$ 213,400
Issuance of units/shares:					
REIT conversion, effective January 1, 2014	**-**	**-**	87,928	(87,928)	(1,393)
Units issued through distribution reinvestment plan	**267**	**1,124**	603	-	2,351
Units issued through RSU plan	**27**	**126**	29	-	119
Units issued through debt conversions					
- face value debentures	**-**	**-**	4,004	-	15,214
- impact of fair value of convertible debentures	**-**	**-**	-	-	2,283
Units/shares outstanding, end of the year	**92,858**	**$ 233,224**	92,564	-	$ 231,974

Unitholders have the right to redeem their units at the lesser of (i) 90% of the Market Price of the unit (Market Price is defined as the weighted average trading price of the previous 10 trading days) and (ii) the most recent Closing Market Price (Closing Market Price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of $50 thousand for all redemptions in a calendar month, or a note payable. For the year ended December 31, 2015 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan ("DRIP") to enable Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the DRIP are issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also receive "bonus units" in an amount equal to 3% of the distribution amount reinvested. Pursuant to the DRIP, during the year ended December 31, 2015, unitholders were issued 267 thousand units at a weighted average price of $4.21 per unit (for the year ended December 31, 2014 – 603 thousand units at a weighted average price of $3.90 per unit).

19. Restricted Share Unit Plan and Deferred Unit Plan

The Trust has a Restricted Share Unit Plan ("RSU Plan") to enable the Trust to reward senior management and employees for their sustained contributions and to assist in attracting, retaining and motivating senior management and employees of the Trust. Restricted Share Units ("RSUs") may be granted from time to time on a discretionary basis by the Administrator (the Corporate Governance and Compensation Committee of the Board of Trustees). Each RSU notionally represents a unit in the Trust. Each RSU credited to a participant, shall receive a distribution of additional RSUs equal to the amount of distributions paid per unit by the Trust on its units ("Distribution RSUs"). The number of Distribution RSUs to be issued for each distribution payment will be equal to the aggregate amount of such distribution payable to a participant on his or her RSUs divided by the volume weighted average closing price of units for the five trading days immediately preceding such applicable day. The Distribution RSUs vest immediately and are redeemed by the participant in either cash or units, net of any applicable withholding taxes. The RSUs vest as follows: one-third of a given award on the first anniversary of the grant date, one-third on the second anniversary of the grant date and the balance on the third anniversary of the grant date. Upon vesting, a participant must redeem the RSUs for cash or units or a combination of both, net of any applicable withholding taxes. Currently, the maximum number of units that may be issued under the RSU Plan upon the redemption of RSUs and Distribution RSUs is 5,793,404. A total of 184,000 RSUs have been granted under the RSU Plan since inception. For the year ended December 31, 2015, 57,940 (for the year ended December 31, 2014 – 57,931) RSUs vested and 25,185 (for the year ended December 31, 2014 – 25,590) units were issued (not including units issued on the redemption of Distribution RSUs). Compensation expense of $140 thousand (for the year ended December 31, 2014 - $261 thousand) has been recognized in respect of the RSUs and at December 31, 2015, there is $38 thousand (December 31, 2014 - $161 thousand) recorded in accounts payable representing the liability of the remaining RSUs.

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

In 2015, the Trust implemented a Deferred Unit Plan ("DU Plan") for non-employee trustees. Participants may be awarded deferred units ("DUs") from time to time on a discretionary basis by the Corporate Governance and Compensation Committee. Each DU is economically equivalent to one unit, however, under no circumstances shall DUs be considered units nor entitle a participant to any rights as a unitholder, including, without limitation, voting rights or rights on liquidation. Participants may also elect to receive, in the form of DUs, up to 100% of their annual Board retainer, meeting fees and additional compensation paid by the Trust to a trustee in a calendar year for service on the Board or for chairing a committee of the Board. Each DU shall receive a distribution of additional DUs equal to the amount of distributions paid per unit by the Trust on its units. DUs vest immediately upon grant or issuance. The DUs shall be redeemable by the participant on or after the date on which the participant ceases to be a trustee. The DUs may be redeemed in whole or in part for units of the Trust issued from treasury or cash, as elected by the participant, net of any applicable withholding taxes. Currently the maximum number of units that may be issued under the DU Plan upon the redemption of DUs is 750,000. A total of 17,098 DUs were granted or issued under the DU Plan as at December 31, 2015 and compensation expense of $80 thousand was recorded.

20. Distributions per Unit

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)*.

	2015	2014
Cash distributions declared	**$ 23,177**	$ 23,808
Required cash distributions to ensure no Part I tax	**2,980**	14,078
Total discretionary cash distribution	**$ 20,197**	$ 9,730

21. Change in Non-Cash Working Capital

	2015	2014
Receivables	**$ (1,594)**	$ 1,421
Prepaid expenses and mortgage deposits	**(315)**	401
Accounts payable and accrued liabilities	**238**	(3,418)
Total cash from change in non-cash working capital	**$ (1,671)**	$ (1,596)

22. 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, 2015	December 31, 2014
Earl Brewer	**$ 219**	$ 219
Edouard Babineau	**250**	250
Michael Zakuta	**250**	250
Total	**$ 719**	$ 719

Other key management personnel own $45 thousand in mortgage bonds of the Trust at December 31, 2015 (December 31, 2014 - $45 thousand).

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

(b) Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

	December 31, 2015	December 31, 2014
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and trustee of the Trust	**$ 261**	$ 261

(c) Other Transactions with Key Management Personnel

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

(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, 2015 there is $120 thousand owed by the Gateway Mall to all owners of the mall. The pro rata amount owed to the Trust is $30 thousand (December 31, 2014 - $30 thousand). As well, there is a $5 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2014 - $5 thousand). For the year ended December 31, 2015, property management fees of $69 thousand were earned by a subsidiary of the Trust from this property (for the year ended December 31, 2014 - $72 thousand).

(iii) Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. There is a $15 thousand account receivable balance owing to the Trust for property management fees (December 31, 2014 – nil). For the year ended December 31, 2015, property management fees of $201 thousand were earned by a subsidiary of the Trust from this property (for the year ended December 31, 2014 - $220 thousand).

(iv) Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) manages 527 Queen Street, Fredericton, NB a property owned indirectly by Michael Zakuta and Earl Brewer. For the year ended December 31, 2015, property management fees of $39 thousand were earned by Plaza Group Management Limited from this property (for the year ended December 31, 2014 - $20 thousand).

(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, 2015 and 2014 was as follows:

	2015	2014
Salaries and benefits	**$ 2,648**	$ 2,478
Share-based payments	**80**	-
Total key management personnel compensation	**$ 2,728**	$ 2,478

During the years ended December 31, 2015 and 2014 there were no amounts paid in post-employment benefits, long-term benefits or termination benefits.

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

(e) Significant Subsidiaries

	Ownership Interest	
	December 31, 2015	December 31, 2014
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.[(1)]	**100%**	85%
Granville Street Properties Limited Partnership[(1)]	**90%**	60%
Wildan Properties Limited Partnership[(1)]	**90%**	60%
Exhibition Plaza Inc.[(1)]	**90%**	55%
Scott's Real Estate Limited Partnership	**100%**	100%
Scott's Acquisition Inc.	**100%**	100%
Riverside Emerald (Timmins) Limited Partnership	**80%**	80%

(1) Effective January 1, 2015 the ownership interest changed as a result of the acquisition of certain equity partners' interests in these entities. See Note 4 for further details.

23. Interests in Joint Operations

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

	December 31, 2015	December 31, 2014
Cash	**$ 1,501**	$ 4,176
Current assets	**$ 3,551**	$ 3,054
Long term assets	**$ 161,016**	$ 150,685
Current liabilities	**$ 5,579**	$ 3,539
Long term liabilities	**$ 85,098**	$ 82,200
Revenues	**$ 16,930**	$ 16,626
Expenses	**$ (10,805)**	$ (9,731)
Fair value gain (loss)	**$ 2,049**	$ (3,100)

(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, 2015	December 31, 2014
Accounting Method – Proportionate Consolidation		
Les Galeries Montmagny and Plaza Tache, QC	**50%**	50%
Bureau en Gross, QC	**50%**	50%
Plaza SP Magog, QC	**50%**	50%
Carrefour des Seigneurs, QC	**25%**	25%
Galeries des Cantons, QC	**50%**	50%
Plaza BDP Deux Montagnes, QC	**37.5%**	37.5%
Plaza Jean XXIII, QC	**50%**	50%
Plaza BBRF, QC	**50%**	50%
Plaza TS Magog, QC	**50%**	50%
Plaza De L'Ouest, QC	**50%**	50%
Plaza HDB, QC	**33%**	33%
4999 Queen Mary Road, QC	**25%**	25%
600 JP Perrault, QC	**50%**	-
201 Chain Lake Drive Plaza, NS	**50%**	50%
209 Chain Lake Drive Plaza, NS	**50%**	50%
Tacoma Centre, NS	**50%**	50%
Tacoma Shoppers, NS	**50%**	50%
Robie Street Truro Plaza, NS	**25%**	25%
210 Wyse Road, NS	**50%**	50%
Scott Street Plaza, ON	**50%**	50%
St. Josephs Boulevard, ON	**50%**	50%
Civic Centre Road, ON	**50%**	50%
Ontario Street Port Hope, ON	**50%**	50%
Dufferin and Wilson, ON	**50%**	50%
615 King Street, ON	**50%**	50%
Park Street Plaza, ON	**20%**	-
Mountainview Plaza, ON	**20%**	-
KGH Plaza, NB	**25%**	25%
681 Mountain Road, NB	**25%**	25%
201 Main Street - Sussex, NB	**25%**	25%
University Plaza, PE(1)	**-**	43%
The Village Shopping Centre, NL	**44.5%**	44.5%

(1) Effective January 1, 2015 the ownership interest changed as a result of the acquisition of certain partners' interests in this property. The ownership interest is now 86% and is fully consolidated instead of proportionately consolidated. See Note 4 for further details.

24. 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, 2015, there were no letters-of-credit issued and outstanding (December 31, 2014 – 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, 2015, there were no letters-of-credit issued and outstanding (December 31, 2014 – nil).

The $30.0 million operating line of credit has $2.0 million available for use in the form of letters-of-credit. At December 31, 2015, letters-of-credit in the amount of $532 thousand were issued and outstanding (December 31, 2014 - $20 thousand).

The $2.2 million secured non-revolving construction credit facility has $20 thousand available for use in the form of letters-of-credit, at the Trust's 20% ownership percentage. At December 31, 2015, there were no letters-of-credit issued and outstanding (December 31, 2014 – n/a).

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

(b) Commitments

The Trust's estimated commitments at December 31, 2015 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2016	Year 2 2017	Year 3 2018	Year 4 2019	Year 5 2020	After 5 Years	Face Value Total
Mortgages – periodic payments	$ 10,071	$ 9,627	$ 9,601	$ 8,711	$ 7,791	$ 31,708	$ 77,509
Mortgages – due at maturity	23,382	29,194	17,634	51,609	61,998	180,285	364,102
Development lines of credit	11,402	-	-	-	-	-	11,402
Construction loans	-	2,099	-	-	-	-	2,099
Bank indebtedness	26,486	-	-	-	-	-	26,486
Mortgage bonds payable	5,945	3,000	-	-	6,000	-	14,945
Debentures (1)	9,155	16,921	38,000	-	-	-	64,076
Operating land leases (2)	3,136	3,172	3,153	3,192	3,235	134,504	150,392
Development activities	4,804	-	-	-	-	-	4,804
Total contractual obligations	**$ 94,381**	**$ 64,013**	**$ 68,388**	**$ 63,512**	**$ 79,024**	**$346,497**	**$715,815**

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

(c) Guarantees and Indemnities

The Trust continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. At December 31, 2015 a $5.7 million commitment (December 31, 2014 - $5.9 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 7.1 years (December 31, 2014 - 8.1 years).

The Trust is contingently liable for certain obligations of its co-venturers. The guarantee provided to the mortgagee of a free-standing property located in Granby, QC is subject to a cross-guarantee provided by the other co-owners for the full amount of the loan. At December 31, 2015 the Trust's total exposure on the cross-guarantee is $568 thousand (December 31, 2014 - $585 thousand). As well, the Trust has guarantees in excess of its ownership percentages for six strip plazas and three free-standing properties. The excess guarantees amount to $18.6 million (December 31, 2014 - $18.1 million).

(d) Litigation

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

(e) Provisions

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

25. Financial Instruments and Risk Management

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

(a) Interest Rate Risk

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

The Trust has classified its fixed rate financial assets and liabilities as held-to-maturity. Therefore a change in interest rates at the reporting date would not affect profit or loss on these. The Trust minimizes its exposure to fixed rate interest risk by staggering the maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The Trust minimizes its exposure to short term interest rate risk by obtaining longer term financing as much as possible (10 years or longer). The Trust matches as closely as possible the debt term on a particular asset with its average lease term so that any interest rate increases could be offset by increases in rental rates.

The Trust had entered into interest rate swap contracts with a Canadian chartered bank in connection with mortgages obtained in 2010, in order to convert the mortgages from variable rates to fixed rates. The swaps mature on July 31, 2020. As the swaps relate to debt of an equity-accounted investee, the interest rate swap contracts have been recorded at fair value in investments with changes in fair value reflected in share of profit of associates. The fair value of these contracts results in a liability, for the Trust's share, of $361 thousand at December 31, 2015 (December 31, 2014 – $309 thousand). There is a risk that interest rates will fluctuate during the term of the mortgages. The Trust intends to hold the mortgages to maturity and therefore would not realize the fair value fluctuations. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

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

In May 2015, the Trust entered into a bond forward with a Canadian chartered bank for one of its equity-accounted investments in order to partially hedge interest rate risk for its development project there. The bond forward effectively fixed the Government of Canada bond rate for the project on its future long-term mortgage. The bond forward was for a notional amount of $15.0 million with a 10 year term. The Government of Canada bond rate under the bond forward was 1.907%. The bond forward did not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) were recognized in profit and loss. The execution of the mortgage in the fourth quarter of 2015 and the collapse of the bond forward resulted in an expense of $447 thousand recognized by the equity-accounted investee, of which the Trust owns a 20% interest.

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

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, 2015 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by $400 thousand (for the year ended December 31, 2014 – $406 thousand).

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

(b) Lease Rollover and Occupancy Risk

The Trust is exposed to the risk of not being able to replace tenants as leases expire or development space becomes available. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately $638 thousand per annum. The Trust's principal management of occupancy risk involves the skewing of tenancies towards national tenants, the signing of longer term leases and significant preleasing of development space. As well, the Trust attempts to stagger the lease expiry profile so that the Trust is not faced with a disproportionate amount of square footage of leases expiring in any one year. The Trust further mitigates this risk by maintaining a diversified portfolio mix both by retail asset type and geographic location and maintaining a well-staffed and highly skilled leasing department to deal with all leasing issues.

(c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighted to national and regional tenants, which comprise 94.6% of the in-place tenant base (December 31, 2014 – 94.6%). As well, the Trust limits loans granted under lease arrangements to credit-worthy national tenants.

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

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

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

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

Carrying Amount	**December 31, 2015**	December 31, 2014
Held-to-maturity investments	**$ 19,310**	$ 8,737
Tenant loans, receivables, income taxes receivable and notes receivable	**9,979**	9,327
Cash	**2,744**	6,370
Total	**$ 32,033**	$ 24,434

The Trust's most significant customer, a national retailer, accounts for $306 thousand of tenant loans at December 31, 2015 (December 31, 2014- $430 thousand).

Shoppers Drug Mart represents 24.7% of monthly base rents in place at December 31, 2015, while franchisees of KFC represent 10.8% of monthly base rents in place. The top 10 tenants collectively represent approximately 58.5% of monthly base rents in place.

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

(d) Liquidity and Debt Market Risk

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

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

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

	Carrying amount	**Contractual cash flow**	**1-2 years**	**2-5 years**	**More than 5 years**
Accounts payable and accrued liabilities	$ 13,106	$ 13,106	$ 13,106	$ -	$ -
Debentures payable	$ 64,490	$ 73,475	$ 33,487	$ 39,988	$ -
Notes payable	$ 1,175	$ 1,175	$ 1,175	$ -	$ -
Bank indebtedness	$ 26,486	$ 27,096	$ 27,096	$ -	$ -
Mortgage bonds payable	$ 14,761	$ 16,722	$ 9,972	$ 6,750	$ -
Mortgages payable	$472,044	$603,208	$144,865	$203,730	$254,613

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 1.95% to 2.45% (December 31, 2014 – 1.80% to 2.30%). The rates used to determine the fair value of mortgage bonds range from 4.50% to 5.00% (December 31, 2014 – 4.90% to 5.00%). The rate used to determine the fair value of non-convertible debentures is 5.00% (December 31, 2014 – 4.50%).

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

	Book Value December 31, 2015	**Fair Value December 31, 2015**	Book Value December 31, 2014	Fair Value December 31, 2014
Cash	**$ 2,744**	**$ 2,744**	$ 6,370	$ 6,370
Receivables	**3,458**	**3,458**	1,850	1,850
Notes receivable	**4,684**	**4,684**	5,131	5,131
Income taxes receivable	**39**	**39**	-	-
Held-to-maturity investments	**19,310**	**19,310**	8,737	8,737
Tenant loans	**1,798**	**1,798**	2,346	2,346
Total Financial Assets	**$ 32,033**	**$ 32,033**	$ 24,434	$ 24,434
Bank indebtedness	**$ 26,486**	**$ 26,486**	$ 6,155	$ 6,155
Accounts payable and accrued liabilities	**13,106**	**13,106**	11,860	11,860
Total net fixed rate mortgage loans	**457,860**	**484,148**	409,924	424,378
Total net fixed rate mortgage loans for assets held for sale	**742**	**742**	-	-
Total net variable rate mortgage loans or credit facilities	**13,442**	**13,442**	6,748	6,748
Convertible debentures	**60,506**	**60,506**	61,548	61,548
Non-convertible debentures	**3,984**	**3,984**	3,961	4,026
Mortgage bonds payable	**14,761**	**14,960**	8,995	9,115
Bridge facility	**-**	**-**	27,537	27,537
Notes payable	**1,175**	**1,175**	1,175	1,175
Total Financial Liabilities	**$ 592,062**	**$ 618,549**	$ 537,903	$ 552,542

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

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

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

	December 31, 2015			December 31, 2014		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Investment properties	**$ -**	**$ -**	**$ 945,757**	$ -	$ -	$ 889,291
Investment properties held for sale	**-**	**-**	**1,800**	-	-	550
Cash	**2,744**	**-**	**-**	6,370	-	-
Receivables	**-**	**3,458**	**-**	-	1,850	-
Notes receivable	**-**	**4,684**	**-**	-	5,131	-
Income taxes receivable	**-**	**39**	**-**	-	-	-
Held-to-maturity investments	**-**	**19,310**	**-**	-	8,737	-
Tenant loans	**-**	**1,798**	**-**	-	2,346	-
	$ 2,744	**$ 29,289**	**$ 947,557**	$ 6,370	$ 18,064	$ 889,841
Bank indebtedness	**$ -**	**$ 26,486**	**$ -**	$ -	$ 6,155	$ -
Accounts payable and accrued liabilities	**-**	**13,106**	**-**	-	11,860	-
Class B exchangeable LP units	**6,199**	**-**	**-**	-	-	-
Total net fixed rate mortgage loans	**-**	**484,148**	**-**	-	424,378	-
Total net variable rate mortgage loans or credit facilities	**-**	**13,442**	**-**	-	6,748	-
Mortgages payable for investment properties held for sale	**-**	**742**	**-**	-	-	-
Non-convertible debentures	**-**	**3,984**	**-**	-	4,026	-
Mortgage bonds payable	**-**	**14,960**	**-**	-	9,115	-
Notes payable	**-**	**1,175**	**-**	-	1,175	-
Bridge facility	**-**	**-**	**-**	-	27,537	-
Series B, C & D convertible debentures	**60,506**	**-**	**-**	61,548	-	-
	$ 66,705	**$ 558,043**	**$ -**	$ 61,548	$ 490,994	$ -

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.

26. Capital Management

The primary objective of the Trust's capital management is to ensure that it maintains adequate capital resources in order to support its business and maximize unitholder value. The Trust manages its capital structure with the primary goal of minimizing risk and ensuring the stability of cash flow from properties. Other goals include maintaining debt service and interest coverage ratios in compliance with bank and debenture covenants. The Trust has defined its capital to include bank indebtedness, mortgages payable, debentures payable, mortgage bonds payable, notes payable 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 90% occupancy of pledged assets, 65% loan to value and debt coverage constraints of 1.30. In addition, under a development line, the Trust must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets less fair value adjustments of not more than 70%. The Trust is in compliance with all debt covenants at December 31, 2015.

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

There were no changes to the Trust's approach to capital management for the year ended December 31, 2015.

The calculation of the total capital is summarized as follows:

	December 31, 2015	December 31, 2014
Total net fixed rate mortgage loans	**$ 458,602**	$ 409,924
Total net variable rate mortgage loans	**13,442**	6,748
Mortgage bonds payable	**14,761**	8,995
Debentures payable	**64,490**	65,509
Bank indebtedness	**26,486**	6,155
Bridge facility	**-**	27,537
Notes payable	**1,175**	1,175
	578,956	526,043
Unitholders' equity	**419,550**	407,386
Total	**$ 998,506**	$ 933,429

27. Subsequent Events

Financings

In 2016, long term financing was obtained for three properties in the amount of $2.75 million with a 10 year term and an interest rate of 3.88%.

In 2016, interim financing was obtained for a property located in Moncton, NB for $2.6 million with a 1 year term and an interest rate of prime plus 1.0%.

Investment Properties

In 2016, the Trust sold properties in Etobicoke, ON, Mississauga, ON, Toronto, ON, Scarborough, ON, and Windsor, ON for gross proceeds of $6.6 million.

Purchase of a Portion of Partner's Interest

On January 29, 2016, the Trust signed a purchase and sale agreement to acquire an additional 5.5% interest of The Village Shopping Centre in St. John's, NL. The Trust currently owns 44.5% of this entity and after the acquisition will hold 50.0%.

Mortgage Bonds

On February 23, 2016, Series VI mortgage bonds for $900 thousand matured and were paid out.

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