



**ANNUAL REPORT**

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

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

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 & 2019**

**DATED: FEBRUARY 25, 2021**

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### PRESIDENT'S MESSAGE

Fellow Unitholders:

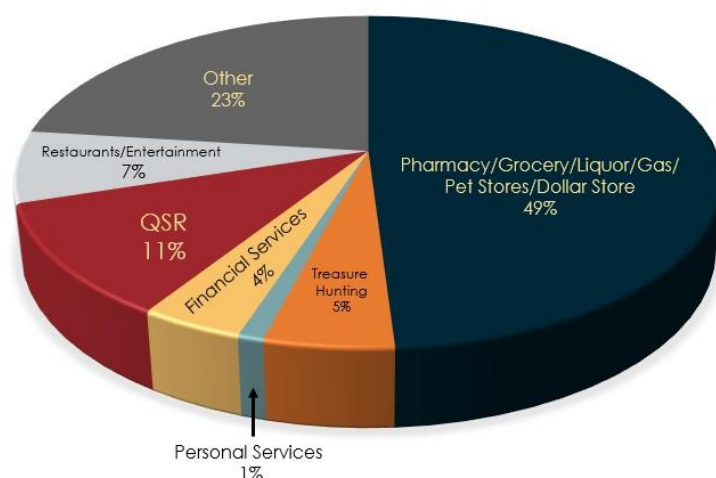
Our year started with great leasing and development momentum. By the middle of March, it was clear that the normal operating environment was quickly transforming into one that had no modern precedent for our business or that of our tenants.

If we measure our 2020 results against our perspective of late March and early April, during COVID-19's first wave, we find ourselves contemplating a much different concept of success. First and foremost, we found that the business plan of developing open air centres and leased to nationally-branded essential-needs and value retailers across a wide geography was sound. While we had exposure to some of the harder-hit categories such as fitness, casual dining and fashion, the vast majority of our rent continued to flow, and we were pleased to collect 99% of gross rent in Q4. Second, our culture of collaborating with our retailers allowed us to quickly converse with our affected tenants and come up with a plan to work with them on an individual basis. We were early adopters of various provincial rent guarantee programs, and a vocal supporter of the federal CECRA program when it was implemented. Finally, we kept our company working efficiently and safely, and with a keen eye on employee well-being as we transitioned to work remotely. By these metrics, we navigated 2020 as successfully as possible.

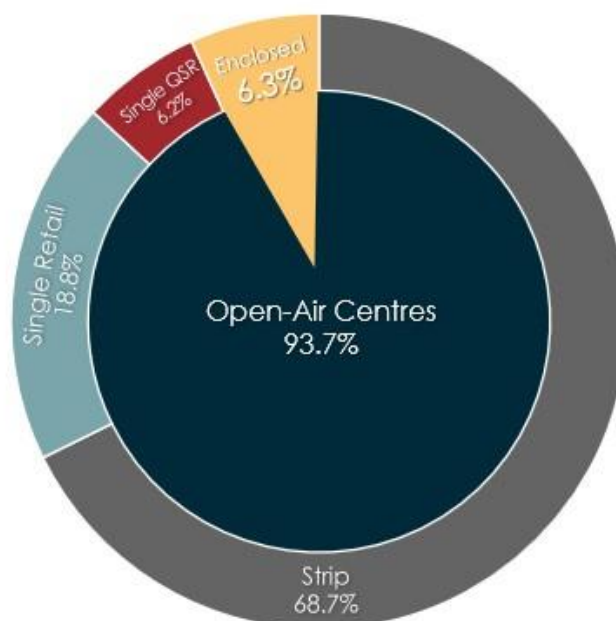
2020 also proved to be successful in that we made progress in growing our company, working with our communities, and reducing our costs. Some examples include:

- our redevelopment of a former Sears store into a fully-leased open-air centre in Chicoutimi, QC and the redevelopment of a fully-leased open-air centre in Brampton, ON;
- we started, in Q3, the construction on our new Atlantic Superstore grocery anchored open-air strip development in Halifax, NS;
- we purchased, in Q3, a 50% managing interest in a Metro grocery anchored redevelopment project in Sault Ste. Marie, ON;
- we signed over 1 million square feet of new leasing and renewals (818,000 s.f. of renewals, 140,000 s.f. of new deals "backfilling" vacant space and 69,000 s.f. in newly created space);
- at the end of 2020, we had projects under construction in NL, NS, PE, NB, QC, and, ON;
- through 2020, as part of our capital recycling program, we sold eight non-core properties and partial non-managing interests in five properties with net proceeds of \$10.5 million;
- we placed \$51 million of fixed-rate mortgages at a weighted-average interest rate of 2.40%, including \$26 million of new financing, and \$25 million of renewals with an expiring weighted average rate of 4.31%;
- we worked with various provincial health departments as they sought input from the retail real estate industry for their quickly-evolving COVID policy initiatives;
- we provided multiple provincial authorities with sites for COVID testing at no charge, and are working with these authorities for vaccination sites;

**REVENUE BY RETAIL CATEGORY (based on base rents)**



**MIX BY PROPERTY TYPE (based on base rents)**



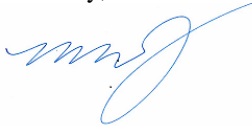
- with interprovincial travel restrictions, we quickly adopted new technology that allowed us to work together effectively and efficiently. Once the pandemic is over, we will continue to use these tools and realize material reductions in travel costs; and
- we celebrated the early retirement of a number of employees, which has provided the opportunity for others to advance and take on new challenges and responsibilities. In addition, this will provide material savings going forward.

While our financial results for 2020 have obviously been affected by COVID, our liquidity and cash flow have proven stable. Our FFO and AFFO payout ratios were under 80% and 90% respectively, and we anticipate that they will be reduced further going forward. We continue to pursue ways of creating unitholder value through redevelopments and new developments in primary and strong secondary markets, non-core property dispositions, and accretive financings. We are confident that we are well-positioned to take advantage of future opportunities. We have a solid business plan to deliver real per unit growth going forward. We are very confident in our future prospects, as Plaza benefits from our:

- highly engaged management team's capability to execute its business plan and its leasing and development team's ability to lease and develop high quality projects;
- core portfolio of pharmacies, grocery stores, dollar stores and other essential needs tenants that have performed well over the last year;
- value retailers who have shown that they can prosper in our open-air retail strips during difficult times;
- large network of properties that are an important part of any retailers' strategy to sell products through multiple channels; and
- strategy of being diversified across a wide geography with open-air properties that often dominate within their community.

Thank you to all of our investors, colleagues, retailers, communities and suppliers for their continued support.

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, 2021. The financial statements to which this MD&A relates were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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

### **FORWARD-LOOKING DISCLAIMER**

This MD&A should be read in conjunction with the Trust's Consolidated Financial Statements and the notes thereto for the years ended December 31, 2020 and 2019, along with the MD&A of the Trust for the year ended December 31, 2019. Historical results, including trends which might appear, should not be taken as indicative of future operations or results, especially given the uncertainties imposed by the current coronavirus pandemic (also referred to as "COVID-19").

Certain information in this MD&A contains forward-looking statements, based on the Trust's estimates and assumptions, which are subject to numerous known and unknown risks and uncertainties, including those described under the heading "Risks and Uncertainties" in Part V of this MD&A and under the heading "Risk Factors" in the Trust's Annual Information Form ("AIF") for the year ended December 31, 2019. This may cause the actual results, performance and achievements of the Trust to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Without limiting the foregoing, the words "believe", "expect", "continue", "anticipate", "could", "may", "intend", "will", "estimate", "goal", "strive", "planning" or "planned" and variations of such words and similar expressions identify forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include, but are not limited to, statements related to distributions, development activities, leasing expectations, financing and the availability of financing sources. Factors that could cause actual results, performance or achievements to differ from those expressed or implied by forward-looking statements include, but are not limited to: the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Trust, its tenants and the economy in general; changes in economic, retail, capital market, or debt market conditions, including changes in interest rates and the rate of inflation; competitive real estate conditions; Plaza's ability to lease or re-lease space at current or anticipated rents; changes in operating costs; the availability of development and redevelopment opportunities for growth; demographic changes, including shifting consumer preferences, and changes in consumer behaviours which may result in a decrease in demand for physical space by retail tenants; tenant insolvencies or bankruptcies; and government regulations. This is not an exhaustive list of the factors that may affect Plaza's forward-looking statements. Other risks and uncertainties not presently known to Plaza, including any unforeseen impacts from pandemic conditions, could also cause actual results or events to differ materially from those expressed in forward-looking statements. Management believes that the expectations reflected in its forward-looking statements are based upon reasonable assumptions, however, management can give no assurance that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of February 25, 2021 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except as required by applicable law.

**OVERVIEW OF THE BUSINESS**

Headquartered in Fredericton, New Brunswick, Plaza is an unincorporated “open-ended” real estate investment trust (a “REIT”) established pursuant to its declaration of trust dated as of November 1, 2013 and amended as of March 26, 2020 (the “Declaration of Trust”). Plaza is the successor to Plazacorp Retail Properties Ltd. (“Plazacorp”), which began operations in 1999. Plaza trades on the Toronto Stock Exchange (“TSX”) under the symbol “PLZ.UN”.

Plaza is a developer, owner and manager of retail real estate located primarily in Ontario, Quebec and Atlantic Canada. It has more than a twenty year history of accretive acquisitions, redevelopments and developments which have contributed to growth in net asset value (“NAV”) and FFO per unit. Some of the key attributes of Plaza’s business model are:

- Plaza conducts its business in a manner to maximize NAV and FFO growth per unit and, accordingly, unitholder value;
- Plaza’s entrepreneurial abilities allow it to adapt to changing market conditions;
- Plaza has developed strong relationships with leading retailers;
- Plaza’s business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed retail real estate throughout Canada;
- Plaza strives to minimize the amount of short-term debt that it obtains, thereby locking in returns for unitholders and minimizing financing risk;
- Plaza has a competitive advantage as a developer in Atlantic Canada and Quebec; and
- Plaza is fully internalized and able to develop retail properties in-house.

**Summary of Properties**

The Trust’s portfolio at December 31, 2020 includes interests in 268 properties totaling approximately 8.6 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.

	<b>Number of Properties December 31, 2020<sup>(1)</sup></b>	<b>Gross Leasable Area (sq. ft.) December 31, 2020<sup>(1) (2)</sup></b>	<b>Number of Properties December 31, 2019<sup>(1)</sup></b>	<b>Gross Leasable Area (sq. ft.) December 31, 2019<sup>(1) (2)</sup></b>
Alberta	2	34,238	2	34,238
Manitoba	1	17,018	1	17,018
Newfoundland and Labrador	12	806,305	12	793,854
New Brunswick	52	1,929,922	52	1,943,764
Nova Scotia	34	1,210,649	33	1,161,369
Ontario	63	1,862,815	68	1,690,869
Prince Edward Island	11	595,337	11	596,035
Quebec	93	2,155,724	95	2,146,617
<b>Total</b>	<b>268</b>	<b>8,612,008</b>	<b>274</b>	<b>8,383,764</b>

<sup>(1)</sup> Includes properties under development and non-consolidated investments.

<sup>(2)</sup> 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 Plaza to grow and take advantage of opportunities in the marketplace. Plaza has always been dedicated to growing the business through value-add developments and redevelopments as well as opportunistic acquisitions. Its properties are primarily leased to national retailers, with a focus on retailers in the essential needs market segment – a segment that generally tends to withstand broader economic conditions and is more e-commerce resilient. Plaza’s leasing efforts over the years have produced a portfolio that is dominated by national retailers, providing a more stable cash flow.

The COVID-19 pandemic has had a material impact on Plaza’s business and Plaza’s tenants, the full extent and duration of which continues to remain uncertain at this time. Depending on the duration and full impacts of COVID-19, certain aspects of Plaza’s operations could be further affected, including rental and occupancy rates, consumer demand and demand for retail space, capitalization rates, tenants’ ability to pay rent in full or at all, tenant inducements, temporary or long-term labour or supply chain disruptions and the impact on construction costs and development projects, and the resulting value of Plaza’s properties. The Trust has withdrawn its outlook for 2020 contained in its Management Discussion and Analysis for the year ended December 31, 2019. Please see the discussion under Risks and Uncertainties in Part V and COVID-19 Impacts in Part

## Plaza Retail REIT

VI of the MD&A for additional details, including Plaza's efforts to mitigate the impacts of the COVID-19 pandemic on its business.

### DEVELOPMENT PIPELINE AND ACQUISITIONS/DISPOSITIONS

#### Development Pipeline

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. These projects are under construction, development, or planning and are anticipated to be completed at various points over the next three years as indicated:

Properties under development/redevelopment	Square Footage <sup>(1)</sup>	Ownership	Occupied or Committed at December 31, 2020 <sup>(4)</sup>	Anticipated Completion Date <sup>(5)</sup>
<b>In Planning/In Development:</b>				
<b>Open-Air Centre:</b>				
Taunton Rd., Oshawa, ON	40,000	50%	n/a	Q3 2021
Rideau Plaza, Smiths Falls, ON	10,000	75%	n/a	Q4 2021
Northern Avenue Plaza, Sault Ste. Marie, ON	172,000	50%	96%	1-2 years
Plaza de L'Ouest, Sherbrooke, QC - Phase III	20,000	50%	n/a	1-2 years
Fairville Boulevard, Saint John, NB - Phase III.2	8,000	100%	24%	1-2 years
St. Jerome, St. Jerome (Montreal), QC - Phase III.2 <sup>(2)</sup>	70,000	20%	n/a	1-2 years
The Shoppes at Galway, St. John's, NL - Phase I.4 <sup>(2)</sup>	97,500	50%	n/a	1-2 years
The Shoppes at Galway, St. John's, NL - Phase II <sup>(2)</sup>	100,000	50%	n/a	2-3 years
The Shoppes at Galway, St. John's, NL - Phase III <sup>(2)</sup>	85,000	50%	n/a	2-3 years
Hogan Court – Phase II, Bedford, NS	20,200	100%	37%	1-2 years
Tri-City Center, Cambridge, ON	200,000	50%	90%	1-2 years
100 Saint-Jude Nord, Granby, QC - Phase II <sup>(2)</sup>	40,657	10%	n/a	2-3 years
Timiskaming Plaza, New Liskeard, ON	24,000	50%	n/a	2-3 years
<b>Single Use:</b>				
Beaubien St., Montreal, QC <sup>(3)</sup>	10,000	100%	n/a	Q3 2021
435 St. Peters Ave., Bathurst, NB <sup>(3)</sup>	3,143	100%	n/a	1-2 years
464 Dundas St., Belleville, ON <sup>(3)</sup>	2,500	100%	100%	1-2 years
450 Wharncliffe Road South, London, ON <sup>(3)</sup>	1,790	100%	n/a	1-2 years
1726 Huron Church Rd, Windsor, ON <sup>(3)</sup>	14,069	100%	n/a	1-2 years
1916 Wyandotte Street West, Windsor, ON <sup>(3)</sup>	1,532	100%	n/a	1-2 years
<b>Expansion:</b>				
Les Galeries Montmagny, Montmagny, QC	1,653	50%	n/a	Q4 2021
Champlain St. Plaza, Dieppe (Moncton), NB - Phase II.2	10,000	100%	n/a	1-2 years
Pleasant Street, Yarmouth, NS	1,000	50%	n/a	1-2 years
Granite Drive, New Minas, NS	10,000	100%	n/a	1-2 years
<b>In Construction:</b>				
<b>Open-Air Centre:</b>				
The Shoppes at Galway, St. John's, NL - Phase I.2 <sup>(2)</sup>	4,932	50%	100%	Q2 2021
Hogan Court, Bedford, NS - Phase I	47,361	100%	95%	Q3 2021
<b>Single Use:</b>				
631 King St., Hamilton, ON	2,370	100%	100%	Q1 2021
<b>Expansion:</b>				
Powell Drive, Carbonear, NL	1,900	100%	n/a	Q2 2021
SP Magog, Magog, QC	1,740	50%	100%	Q2 2021
Queens Place Drive Plaza, Liverpool, NS	4,000	100%	100%	Q2 2021
Plaza De L'Ouest, Sherbrooke, QC	7,835	50%	100%	Q3 2021
<b>Total</b>	<b>1,013,182</b>			

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

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

(3) This is an existing property being redeveloped.

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

(5) Certain projects have been delayed due to COVID-19, which may continue to impact the anticipated completion dates as shown.

## Plaza Retail REIT

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

There is excess density at existing properties which would represent approximately 45 thousand additional square feet of gross leasable area, at Plaza's ownership percentage.

At December 31, 2020, there are two land assemblies under purchase agreement and subject to due diligence or other conditions. These land purchases, if executed, will represent an additional 112 thousand square feet of retail space at completion, at Plaza's ownership percentage.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between \$95 million and \$105 million, of which approximately \$43.4 million has already been spent (all figures represent Plaza's ownership percentage). The unspent amount has not been fully or specifically budgeted or committed at this time. For the projects in construction, remaining costs to complete are between \$5.5 million and \$6.5 million. The majority of unspent amounts for Plaza's development projects are funded by Plaza's existing development facilities or construction loans.

### Acquisitions/Dispositions

During the year ended December 31, 2020, the Trust acquired and disposed of the following properties:

<b>Property Acquired</b>	<b>% Acquired</b>	<b>Year ending December 31, 2020<sup>(1)</sup></b>
Northern Avenue Plaza, Sault Ste. Marie, ON	<b>50%</b>	<b>\$ 8,727</b>
<sup>(1)</sup> Including closing costs		

<b>Properties Disposed</b>	<b>% Disposed</b>	<b>Net Proceeds Year Ending December 31, 2020</b>
Quick Service Restaurants and non-core Assets – Arnprior, ON, Cambridge, ON, Hamilton, ON, Thunder Bay, ON, Toronto, ON, Windsor, ON, Neufchatel, QC, and Shawinigan, QC.	<b>100%</b>	<b>\$ 5,894</b>
Five single-use properties located in Calgary, AB, New Glasgow, NS, Antigonish, NS and Montreal, QC <sup>(1)</sup>	<b>50%</b>	<b>4,616</b>
<b>Total disposals</b>		<b>\$ 10,510</b>

<sup>(1)</sup> The Trust sold a 50% non-managing co-ownership interest in five properties for net proceeds of \$12.3 million, \$4.6 million after assumption by the purchaser of long-term financing on the properties.



**SUMMARY OF SELECTED YEAR TO DATE INFORMATION**

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	
(000s, except as otherwise noted)				
Financial Amounts				
Property rental revenue	\$ 106,898	\$ 112,461	\$ 104,017	
Total revenue	\$ 108,459	\$ 118,471	\$ 105,436	
NOI <sup>(1)</sup>	\$ 68,750	\$ 72,727	\$ 63,924	
Same-asset NOI <sup>(1)</sup>	\$ 64,749	\$ 65,648	N/A <sup>(3)</sup>	
FFO <sup>(1)</sup>	\$ 36,995	\$ 41,006	\$ 34,264	
AFFO <sup>(1)</sup>	\$ 32,604	\$ 36,466	\$ 30,304	
EBITDA <sup>(1)</sup>	\$ 65,883	\$ 70,487	\$ 59,996	
Profit (loss) and total comprehensive income (loss)	\$ (14,937)	\$ 51,337	\$ 12,212	
Total assets	\$ 1,139,127	\$ 1,161,968	\$ 1,061,066	
Total non-current liabilities	\$ 541,846	\$ 553,175	\$ 480,295	
Total mortgages, mortgage bonds, notes payable, bank credit facilities, and land lease liabilities	\$ 620,321	\$ 591,992	\$ 520,146	
Total debentures	\$ 60,807	\$ 64,190	\$ 59,835	
Weighted average units outstanding <sup>(2)</sup>	103,048	103,685	103,490	
Normal course issuer bid – units repurchased	396	722	-	
Amounts on a Per Unit Basis				
FFO <sup>(1)</sup>	\$ 0.359	\$ 0.395	\$ 0.331	
AFFO <sup>(1)</sup>	\$ 0.316	\$ 0.352	\$ 0.293	
Distributions	\$ 0.280	\$ 0.280	\$ 0.280	
Financial Ratios				
Weighted average interest rate – fixed rate mortgages	4.07%	4.26%	4.41%	
Debt to gross assets (excluding convertible debentures) <sup>(4)</sup>	55.0%	51.8%	49.7%	
Debt to gross assets (including convertible debentures) <sup>(4)</sup>	59.7%	56.3%	54.7%	
Interest coverage ratio <sup>(1)</sup>	2.30x	2.41x	2.27x	
Debt coverage ratio <sup>(1)</sup>	1.64x	1.73x	1.62x	
Distributions as a % of FFO	78.0%	70.8%	84.6%	
Distributions as a % of AFFO	88.5%	79.6%	95.7%	
Leasing Information				
Square footage leased during the period (total portfolio)	1,027,185	1,202,232	1,283,055	
Committed occupancy <sup>(5)</sup>	95.5%	96.3%	96.2%	
Same-asset committed occupancy <sup>(5)</sup>	95.3%	96.1%	96.2%	
Committed occupancy – including non-consolidated investments <sup>(6)</sup>	95.7%	96.2%	96.2%	
Mix of Tenancy Based on Base Rents <sup>(5)</sup>				
National	90.3%	90.7%	91.1%	
Regional	3.8%	3.9%	3.4%	
Local	4.0%	3.7%	3.7%	
Non retail	1.9%	1.7%	1.8%	
Other				
Average term to maturity - mortgages	5.5 Years	5.9 Years	5.5 Years	
Average term to maturity - leases <sup>(5)</sup>	5.9 Years	6.2 Years	5.7 Years	
Overall capitalization rate <sup>(5)</sup>	7.19%	7.07%	7.25%	
Property Type Breakdown	Number of Properties December 31, 2020	Square Footage (000s)	Number of Properties December 31, 2019	Square Footage (000s)
Open-Air Centres	115	6,509	114	6,266
Enclosed	3	713	3	713
Single Use – Quick Service Restaurant	82	224	88	237
Single Use – Retail	68	1,166	69	1,168
Total	268	8,612	274	8,384

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

<sup>(2)</sup> Includes Class B exchangeable limited partnership (“LP”) units.

<sup>(3)</sup> Not applicable as the same-asset calculation relates to assets owned since January 1, 2019.

<sup>(4)</sup> As of January 1, 2019, ratios include land lease liabilities and right-of-use land lease assets, prior year comparatives have not been restated.

<sup>(5)</sup> Excludes properties under development and non-consolidated trusts and partnerships.

<sup>(6)</sup> Excludes properties under development.

## **PART II**

### **STRATEGY**

Plaza's principal goal is to deliver growth in per-unit NAV and FFO from a diversified portfolio of retail properties. To achieve this goal, the Board has set development criteria of a minimum unlevered cash yield equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates and assuming a 25 year amortization period.

The Trust strives to:

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

The Trust invests in the following property types:

- new properties developed on behalf of retailer clients or in response to demand;
- well located properties where Plaza can add value through efficiencies, density/development or redevelopment; and
- existing properties that will provide stable recurring cash flows with opportunity for growth.

Management intends to achieve Plaza's goals by:

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

## **KEY PERFORMANCE DRIVERS AND INDICATORS**

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

- FFO;
- AFFO;
- debt service ratios;
- debt to gross assets;
- same-asset NOI;
- weighted average effective cost of debt;
- distributions as a percentage of FFO and AFFO; and
- occupancy levels.

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing growth in per-unit NAV and FFO. The following table discusses the key performance indicators for the year ended December 31, 2020 compared to the year ended December 31, 2019.

FFO <sup>(1)</sup>		YTD Q4 2020	YTD Q4 2019	% Change
	FFO	\$36,995	\$41,006	(9.8%)
	FFO per unit	\$0.359	\$0.395	(9.1%)
	Distributions as a % of FFO	78.0%	70.8%	10.2%
	<ul style="list-style-type: none"> <li>➤ The decrease in FFO and FFO per unit was mainly due to the impact of lease buyout revenues recorded from two significant lease buyout transactions in the prior year, an increase in bad debt expense in the current year, partially offset by lower operating expenses in the current year.</li> <li>➤ Excluding the effect of the lease buyouts and severance settlements from the current and prior year, and excluding COVID-related impacts from the current year, FFO would have been 5.7% higher than the prior year, and FFO per unit would have been 6.3% higher than the prior year.</li> </ul>			
AFFO <sup>(1)</sup>		YTD Q4 2020	YTD Q4 2019	% Change
	AFFO	\$32,604	\$36,466	(10.6%)
	AFFO per unit	\$0.316	\$0.352	(10.2%)
	Distributions as a % of AFFO	88.5%	79.6%	11.2%
	<ul style="list-style-type: none"> <li>➤ The principal factors influencing AFFO are consistent with those impacting FFO, along with lower leasing costs.</li> <li>➤ Excluding the effect of the lease buyouts and severance settlements from the current and prior year, and excluding COVID-related impacts from the current year, AFFO would have been 9.3% higher than the prior year and AFFO per unit would have been 10.0% higher than the prior year.</li> </ul>			
Debt Service Ratios <sup>(1)</sup>		YTD Q4 2020	YTD Q4 2019	% Change
	Interest coverage ratio	2.30x	2.41x	(4.6%)
	Debt coverage ratio	1.64x	1.73x	(5.2%)
	<ul style="list-style-type: none"> <li>➤ The interest and debt coverage ratios were lower than the prior year mainly due to lease buyout revenues in the prior year. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.</li> </ul>			
Debt to Gross Assets		Q4 2020	Q4 2019	% Change
	Debt to gross assets (excluding convertible debentures)	55.0%	51.8%	6.2%
	Debt to gross assets (including convertible debentures)	59.7%	56.3%	6.0%
	<ul style="list-style-type: none"> <li>➤ The increase in debt to gross assets over the prior year relates mainly to the fair value decrease to investment properties recorded for the year ended December 31, 2020.</li> </ul>			
Same-Asset NOI <sup>(1)</sup>		YTD Q4 2020	YTD Q4 2019	% Change
	Same-asset NOI	\$64,749	\$65,648	(1.4%)
	<ul style="list-style-type: none"> <li>➤ Same-asset NOI is lower than the prior year due to an increase in the bad debt expense, CECRA impacts and rent abatements in the current year, partially offset by lower operating expenses in the current year.</li> <li>➤ Excluding the effect of the lost revenue due to lease buyouts from the current and prior year, and excluding COVID-related impacts from the current year, same-asset NOI would have been 1.8% higher.</li> </ul>			
Weighted Average Interest Rate – Fixed Rate Mortgages		Q4 2020	Q4 2019	% Change
	Weighted average interest rate – fixed rate mortgages	4.07%	4.26%	(4.5%)
	<ul style="list-style-type: none"> <li>➤ Plaza continues to finance at low rates.</li> </ul>			
Occupancy Levels		Q4 2020	Q4 2019	% Change
	Committed occupancy <sup>(2)</sup>	95.5%	96.3%	(0.8%)
	Same-asset committed occupancy <sup>(2)</sup>	95.3%	96.1%	(0.8%)
	Committed occupancy – including non-consolidated investments <sup>(3)</sup>	95.7%	96.2%	(0.5%)

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

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

(3) Excludes properties under development.

**PROPERTY AND CORPORATE FINANCIAL PERFORMANCE 2020 AND 2019**
**Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)**

Plaza's summary of FFO and AFFO for the three and twelve months ended December 31, 2020, compared to the three and twelve months ended December 31, 2019 is presented below:

	3 Months Ended December 30, 2020 (unaudited)	3 Months Ended December 31, 2019 (unaudited)	12 Months Ended December 31, 2020 (unaudited)	12 Months Ended December 31, 2019 (unaudited)
<b>(000s – except per unit amounts and percentage data)</b>				
<b>Profit (loss) and total comprehensive income (loss) for the period attributable to unitholders</b>	<b>\$ 9,306</b>	<b>\$ 8,256</b>	<b>\$ (14,908)</b>	<b>\$ 51,407</b>
Add (deduct):				
Incremental leasing costs included in administrative expenses	244	353	1,465	1,505
Amortization of debenture issuance costs	(102)	(103)	(410)	(411)
Distributions on Class B exchangeable LP units included in finance costs	84	84	334	334
Deferred income taxes	1,181	(332)	898	266
Principal repayments of land lease liabilities	(199)	(169)	(693)	(663)
Fair value adjustment to restricted units	26	12	(156)	53
Fair value adjustment to investment properties	(2,169)	1,010	46,891	(18,748)
Fair value adjustment to investments	3,124	1,761	4,214	1,665
Fair value adjustment to Class B exchangeable LP units	131	143	(1,144)	822
Fair value adjustment to convertible debentures	(712)	(185)	(3,429)	4,294
Fair value adjustment to interest rate swaps	(539)	(1,380)	3,386	392
Fair value adjustment to right-of-use land lease assets	199	169	693	663
Equity accounting adjustment	112	(57)	291	(63)
Non-controlling interest adjustment	(132)	(358)	(437)	(510)
<b>Basic FFO</b>	<b>\$ 10,554</b>	<b>\$ 9,204</b>	<b>\$ 36,995</b>	<b>\$ 41,006</b>
Add (deduct):				
Non-cash revenue – straight-line rent <sup>(4)</sup>	15	(84)	(402)	(78)
Leasing costs – existing properties <sup>(1) (4)</sup>	(622)	(811)	(2,508)	(3,325)
Maintenance capital expenditures – existing properties <sup>(1) (4)</sup>	(515)	(153)	(1,509)	(1,295)
Non-controlling interest adjustment	5	30	28	158
<b>Basic AFFO</b>	<b>\$ 9,437</b>	<b>\$ 8,186</b>	<b>\$ 32,604</b>	<b>\$ 36,466</b>
Basic weighted average units outstanding <sup>(2)</sup>	102,968	103,384	103,048	103,685
<b>Basic FFO per unit</b>	<b>\$ 0.102</b>	<b>\$ 0.089</b>	<b>\$ 0.359</b>	<b>\$ 0.395</b>
<b>Basic AFFO per unit</b>	<b>\$ 0.092</b>	<b>\$ 0.079</b>	<b>\$ 0.316</b>	<b>\$ 0.352</b>
Gross distributions to unitholders <sup>(3)</sup>	\$ 7,208	\$ 7,235	\$ 28,846	\$ 29,020
<b>Distributions as a percentage of basic FFO</b>	<b>68.3%</b>	<b>78.6%</b>	<b>78.0%</b>	<b>70.8%</b>
<b>Distributions as a percentage of basic AFFO</b>	<b>76.4%</b>	<b>88.4%</b>	<b>88.5%</b>	<b>79.6%</b>
<b>Basic FFO</b>	<b>\$ 10,554</b>	<b>\$ 9,204</b>	<b>\$ 36,995</b>	<b>\$ 41,006</b>
Interest on dilutive convertible debentures	684	684	2,720	2,705
<b>Diluted FFO</b>	<b>\$ 11,238</b>	<b>\$ 9,888</b>	<b>\$ 39,715</b>	<b>\$ 43,711</b>
Diluted weighted average units outstanding <sup>(2)</sup>	112,241	112,657	112,321	112,958
<b>Basic AFFO</b>	<b>\$ 9,437</b>	<b>\$ 8,186</b>	<b>\$ 32,604</b>	<b>\$ 36,466</b>
Interest on dilutive convertible debentures	684	607	2,416	2,705
<b>Diluted AFFO</b>	<b>\$ 10,121</b>	<b>\$ 8,793</b>	<b>\$ 35,020</b>	<b>\$ 39,171</b>
Diluted weighted average units outstanding <sup>(2)</sup>	112,241	112,746	111,410	112,958
<b>Diluted FFO per unit</b>	<b>\$ 0.100</b>	<b>\$ 0.088</b>	<b>\$ 0.354</b>	<b>\$ 0.387</b>
<b>Diluted AFFO per unit</b>	<b>\$ 0.090</b>	<b>\$ 0.078</b>	<b>\$ 0.314</b>	<b>\$ 0.347</b>

(1) Based on actuals.

(2) Includes Class B exchangeable LP units.

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

(4) Includes proportionate share of expenditures at equity-accounted investments.

### **Three Months**

Basic FFO for the three months ended December 31, 2020 increased by \$1.35 million or 14.7% over the prior year and basic FFO per unit for the three months ended December 31, 2020 was 14.6% higher compared to the prior year.

Items impacting FFO were:

- (i) an increase in same-asset NOI of \$235 thousand mainly due to lower operating expenses in the current year offset by lost revenue due to lease buyouts during 2019 and rent abatements in the current year;
- (ii) a decrease in administrative costs of \$401 thousand, mainly due to lower salary expenses in the current year as a result of the Canadian Emergency Wage Subsidy (“CEWS”) program and overall lower salary expenses than the prior year fourth quarter, offset by the write off of costs for development projects which will not be pursued;
- (iii) higher lease termination fees received in the current quarter of \$184 thousand;
- (iv) a increase in finance costs of \$194 thousand, mainly due to early mortgage discharge fees from the sale of properties; and
- (v) an increase in NOI of \$689 thousand from acquisitions, developments and properties transferred to IPP in 2019 and 2020.

For the three months ended December 31, 2020, AFFO increased by \$1.25 million or 15.3% over the prior year and AFFO per unit for the three months ended December 31, 2020 was 16.5% higher compared to the prior year. The AFFO and AFFO per unit were mainly impacted by the changes in FFO and FFO per unit described above, along with lower leasing costs in the current quarter offset by higher maintenance capital expenditures.

Excluding the impact of the lease buyouts and severance settlements from the current and prior year, and excluding CECRA impacts, CEWS impact, rent abatements and bad debt expense from the current year, FFO and FFO per unit would have been 3.7% and 4.1% higher, respectively. AFFO and AFFO per unit adjusted for these same items would have been 3.5% and 3.9% higher, respectively.

### **Twelve Months**

Basic FFO for the twelve months ended December 31, 2020 decreased by \$4.0 million or 9.8% over the prior year and basic FFO per unit for the twelve months ended December 31, 2020 was 9.1% lower compared to the prior year.

Items impacting FFO were:

- (i) an additional \$5.2 million in lease buyout revenues recorded in the prior year;
- (ii) a decrease of \$1.4 million in other income due to lower development and leasing fees earned from co-owned properties;
- (iii) a decrease in same-asset NOI of \$1.0 million due to an increase in bad debt expense, a decrease in revenue partially from CECRA and rent abatements, offset by lower operating expenses and revenue from new leasing;
- (iv) a decrease in administrative costs of \$918 thousand, mainly due to lower salary expenses, impacted by the CEWS, lower professional fees, lower travel and travel related expenses offset by the write off of costs for development projects which will not be pursued, in the current year;
- (v) an increase in straight line rent of \$324 thousand, of which \$773 thousand relates to the landlord’s write-off under the CECRA program and rent abatements;
- (vi) a decrease in finance costs of \$457 thousand due to lower development and operating line, mortgage bond and mortgage interest;
- (vii) a decrease in salaries in NOI of \$520 thousand mainly due to CEWS and overall lower salary expenses; and
- (viii) an increase in NOI of \$1.5 million from acquisitions, developments and properties transferred to IPP in 2019 and 2020.

For the twelve months ended December 31, 2020, AFFO decreased by \$3.9 million, or 10.6% over the prior year and AFFO per unit decreased 10.2% over the prior year. The decrease in AFFO was mainly due to the changes in FFO and FFO per unit described above, along with lower leasing costs.

Excluding the impact of the lease buyouts and severance settlements from the current and prior year, and excluding CECRA impacts, CEWS impact, rent abatements and bad debt expense from the current year, FFO and FFO per unit would have been 5.7% and 6.3% higher, respectively, than the prior year. AFFO and AFFO per unit adjusted for these same items would have been 9.3% and 10.0% higher, respectively, than the prior year.

**Profit (Loss) and Total Comprehensive Income (Loss) for the Period**

The Trust recorded a profit for the three months ended December 31, 2020 of \$9.3 million compared to a profit of \$8.0 million for the same period in the prior year. The increase was mainly due to an increase in the fair value of investment properties of \$2.2 million in the current year compared to a fair value decrease of \$1.0 million in the prior year. The fair value increase year over year was mainly due to a decrease in capitalization rates in the current quarter due to appraisals obtained, and improved metrics for certain property types. Profit was also impacted by the same factors mentioned in the discussion of FFO above, as well as:

- (i) a decrease in the share of profit of associates of \$1.5 million over the prior year, mainly relating to the non-cash fair value adjustment of the underlying properties in the current quarter;
- (ii) a net gain of \$539 thousand compared to a net gain of \$1.4 million in the prior year, relating to the non-cash fair value adjustment relating to the interest rate swaps; and
- (iii) a net gain of \$712 thousand compared to a net gain of \$185 thousand in the prior year, relating to the non-cash fair value adjustment to convertible debentures.

The Trust recorded a loss for the twelve months ended December 31, 2020 of \$14.9 million compared to a profit of \$51.3 million for the same period in the prior year. The decrease was mainly due to a decrease in the fair value of investment properties of \$46.9 million as compared to a fair value increase of \$18.7 million in the prior year. The fair value decrease year over year was mainly due to an increase in capitalization rates due to the impact from COVID-19, and more conservative assumptions for stabilized NOI and re-leasing costs. Profit was also impacted by the same factors mentioned in the discussion of FFO above, as well as:

- (i) a net gain of \$3.4 million compared to a net loss of \$4.3 million in the prior year, relating to the non-cash fair value adjustment to convertible debentures;
- (ii) a net gain of \$1.1 million compared to a net loss of \$822 thousand in the prior year, relating to the non-cash fair value adjustment relating to the Class B exchangeable LP units;
- (iii) a net loss of \$3.4 million compared to a net loss of \$392 thousand in the prior year, relating to the non-cash fair value adjustment relating to the interest rate swaps;
- (iv) a decrease in the share of profit of associates of \$2.5 million over the prior year, relating to the non-cash fair value adjustment relating to the underlying properties in the current year; and
- (v) a decrease in administrative expenses of \$1.1 million over the prior year, mainly due to lower salary expenses including the CEWS, lower professional fees, lower travel and travel related expenses, offset by the write off of costs for development projects which will not be pursued in the current year.

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

Same-asset categorization refers to those properties which were owned and operated by Plaza for the twelve months December 31, 2020 and the entire year ended December 31, 2019 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, 2020, approximately 47.8% of the Trust's leased area is tied to a CPI cost recovery formula. As well, certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and other operating costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal taxes are generally net and fully recoverable from all tenants. Most tenants in open-air centres and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

	<b>3 Months Ended December 31, 2020</b>	<b>3 Months Ended December 31, 2019</b>	<b>12 Months Ended December 31, 2020</b>	<b>12 Months Ended December 31, 2019</b>
<b>(000s)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Same-asset rental revenue	\$ 24,272	\$ 25,130	\$ 96,858	\$ 98,632
Same-asset operating expenses	(2,804)	(3,922)	(12,207)	(13,303)
Same-asset realty tax expense	(4,837)	(4,860)	(19,902)	(19,681)
<b>Same-asset NOI</b>	<b>\$ 16,631</b>	<b>\$ 16,348</b>	<b>\$ 64,749</b>	<b>\$ 65,648</b>

Same-asset NOI for the three months ended December 31, 2020 was up 1.7% compared to the prior year mainly due to lower operating expenses offset by rent abatements in the current year and by lost revenue due to lease buyouts.

## Plaza Retail REIT

Same-asset NOI for the twelve months ended December 31, 2020 was down 1.4% compared to the prior year mainly due to lost revenue due to lease buyouts during 2019, CECRA impacts, rent abatements and an increase in bad debt expense in the current year. These were partially offset by new lease up and rent increases in the portfolio along with a decrease in operating expenses in the current year..

Excluding the effect of lease buyouts from the current and prior year, and excluding CECRA impacts, rent abatements and bad debt expense from the current year, same-asset NOI for the three months ended December 31, 2020 would have been 1.1% higher and for the twelve months ended December 31, 2020 would have been 1.8% higher compared with the same periods in the prior year.

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

	<b>3 Months Ended December 31, 2020 (unaudited)</b>	<b>3 Months Ended December 31, 2019 (unaudited)</b>	<b>12 Months Ended December 31, 2020 (unaudited)</b>	<b>12 Months Ended December 31, 2020 (unaudited)</b>
<b>(000s except percentage data)</b>				
New Brunswick	\$ 4,553	\$ 4,635	\$ 17,847	\$ 18,399
Nova Scotia	2,746	2,662	10,812	10,426
Quebec	3,278	3,272	12,743	13,008
Alberta	97	(46)	390	217
Manitoba	94	88	371	353
Ontario	2,510	2,392	9,873	9,619
Newfoundland and Labrador	1,499	1,382	5,300	5,845
Prince Edward Island	1,854	1,963	7,413	7,781
<b>Same-asset NOI</b>	<b>\$ 16,631</b>	<b>\$ 16,348</b>	<b>\$ 64,749</b>	<b>\$ 65,648</b>
<b>Percentage increase over prior period</b>	<b>1.7%</b>		<b>(1.4%)</b>	

## Net Property Operating Income (NOI)

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

	<b>3 Months Ended December 31, 2020 (unaudited)</b>	<b>3 Months Ended December 31, 2019 (unaudited)</b>	<b>12 Months Ended December 31, 2020 (unaudited)</b>	<b>12 Months Ended December 31, 2019 (unaudited)</b>
<b>(000s)</b>				
Same-asset NOI	\$ 16,631	\$ 16,348	\$ 64,749	\$ 65,648
Developments and redevelopments transferred to income producing in 2019 (\$2.1 million annualized NOI)	442	218	1,793	1,145
Developments and redevelopments transferred to income producing in 2020 (\$2.0 million annualized NOI)	320	165	987	565
Acquisitions (\$2.2 million annualized NOI)	437	229	1,143	687
NOI from properties currently under development and redevelopment (\$2.8 million annualized NOI)	-	(57)	21	124
Straight-line rent	(14)	85	403	78
Administrative expenses charged to NOI	(406)	(826)	(2,728)	(3,248)
Lease buyout revenue	534	350	722	5,963
Properties disposed	112	421	1,597	1,785
Other	81	(148)	63	(20)
<b>Total NOI</b>	<b>\$ 18,137</b>	<b>\$ 16,785</b>	<b>\$ 68,750</b>	<b>\$ 72,727</b>



**Share of Profit of Associates**

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

	Ownership Position	Preferred Return	Residual Return
<b>Equity Accounted Investments<sup>(1)</sup></b>			
Centennial Plaza Limited Partnership	10%	10%	20%
Trois Rivières Limited Partnership	15%	10%	30%
Plazacorp Ontario1 Limited Partnership	25%	8%	25%
Plazacorp Ontario2 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario3 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario4 Limited Partnership	50%	n/a	n/a
RBEG Limited Partnership	50%	n/a	n/a
CPRDL Limited Partnership	50%	n/a	n/a
Fundy Retail Ltd.	50%	n/a	n/a
VGH Limited Partnership	20%	8%	27%
Ste. Hyacinthe Limited Partnership	25%	n/a	n/a
144 Denison East Limited Partnership	25%	n/a	n/a
The Shoppes at Galway Limited Partnership <sup>(2)</sup>	50%	n/a	n/a

(1) Equity and fair value accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Place Du Marche, BPK Levis and 100 Saint-Jude Nord (Centennial Plaza Limited Partnership); Plaza des Recollets (Trois Rivières Limited Partnership); Ottawa Street Almonte, Hastings Street Bancroft and Main Street Alexandria (Plazacorp Ontario1 Limited Partnership); Amherstview and Port Perry (Plazacorp Ontario2 Limited Partnership); King & Mill Newcastle (Plazacorp Ontario3 Limited Partnership); Manotick (Plazacorp Ontario4 Limited Partnership); Bureau en Gros (RBEG Limited Partnership); CPRDL (CPRDL Limited Partnership); Gateway Mall (Fundy Retail Ltd.); St. Jerome (VGH Limited Partnership); 5400 Laurier Ouest (Ste. Hyacinthe Limited Partnership); 144 Denison and 5150 Arthur-Sauvé (144 Denison East Limited Partnership); and the Shoppes at Galway (The Shoppes at Galway Limited Partnership).

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

Share of profit of associates for the three months ended December 31, 2020 includes Plaza's share of NOI of approximately \$1.1 million compared to \$1.3 million for the three months ended December 31, 2019. Share of profit of associates decreased by \$1.5 million for the three months ended December 31, 2020 compared to the three months ended December 31, 2019. The decrease was mainly due to the non-cash fair value adjustment to the underlying investment properties.

Share of profit of associates for the twelve months ended December 31, 2020 includes Plaza's share of NOI of approximately \$4.7 million compared to \$4.4 million for the twelve months ended December 31, 2019. Share of profit of associates decreased by \$2.5 million for the twelve months ended December 31, 2020 compared to the twelve months ended December 31, 2019. The decrease was mainly due to the non-cash fair value adjustment to the underlying investment properties, arising from increased costs to complete for certain development projects.

Overall committed occupancy for non-consolidated investments (excluding land under development) was 97.7% at December 31, 2020, compared to 98.1% at December 31, 2019.

Distributions received from associates for the three months ended December 31, 2020 were \$387 thousand compared to \$351 thousand for the three months ended December 31, 2019 for regular distributions. Regular distributions received from associates for the twelve months ended December 31, 2020 were consistent with the twelve months ended December 31, 2019 at \$1.7 million. In addition to the regular distributions, there were distributions as a result of proceeds from financing at an underlying investment property of \$2.6 million in the current year and \$3.9 million in the prior year.

**Finance Costs**

Finance costs for the three months ended December 31, 2020 were \$7.4 million, compared to \$7.2 million for the same period in the prior year, with the increase mainly due to early mortgage discharge fees from the sale of properties.

Finance costs for the twelve months ended December 31, 2020 were \$29.1 million, compared to \$29.5 million for the same period in the prior year. Finance costs were impacted by:

- (i) lower mortgage bond interest of \$198 thousand due to the maturing of Series XI mortgage bonds in July 2019;
- (ii) lower mortgage and operating line interest of \$641 thousand;
- (iii) early mortgage discharge fees from the sale of properties; and
- (iv) lower capitalization of interest of \$260 thousand.

**Administrative Expenses**

Administrative expenses for the three months ended December 31, 2020 were \$387 thousand lower than the prior year mainly due to lower salary expenses in the current year impacted by the CEWS program along with overall lower salary expenses than the prior year fourth quarter, offset by higher expenses from development deals that will not be pursued.

Administrative expenses for the twelve months ended December 31, 2020 were \$1.1 million lower than the prior year due to lower salary expenses in the current year impacted by the CEWS program along with overall lower salary expenses, lower professional fees along with lower travel and travel related expenses offset by higher expenses from development deals that will not be pursued.

**Change in Fair Value of Investment Properties**

Investment properties are measured at fair value using a combination of external appraisals and internal valuations, whereby income producing properties are valued using the direct capitalization method. Under this method, fair value is estimated by applying capitalization rates to stabilized net operating income (property revenue less property operating expenses), with the resulting value reduced by any costs to complete or required to achieve stabilization.

The Trust recorded a fair value increase to investment properties of \$2.2 million for the three months ended December 31, 2020 compared to a fair value decrease of \$1.0 million for the three months ended December 31, 2019. The Trust recorded a fair value decrease to investment properties of \$46.9 million for the twelve months ended December 31, 2020 compared to a fair value increase of \$18.7 million for the twelve months ended December 31, 2019. The weighted average capitalization rate at December 31, 2020 was 7.19% compared to 7.07% at December 31, 2019. The fair value increase when comparing the three months ended December 31, 2020 to the three months ended December 31, 2019 was mainly due to decreased capitalization rates due to appraisals obtained and improved metrics for certain property types. The fair value decrease when comparing the twelve months ended December 31, 2020 to the twelve months ended December 31, 2019 was mainly due to an increase in capitalization rates due to the impact from COVID-19, as well as more conservative assumptions for stabilized NOI and re-leasing costs.

**Change in Fair Value of Convertible Debentures**

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

The fair value adjustment to convertible debentures for the three months ended December 31, 2020 was a net gain of \$712 thousand compared to a net gain of \$185 thousand in the prior year. The fair value adjustment to convertible debentures for the twelve months ended December 31, 2020 was a net gain of \$3.4 million compared to a net loss of \$4.3 million in the prior year.

## Plaza Retail REIT

### Change in Fair Value of Class B Exchangeable LP Units

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

The fair value adjustment to Class B exchangeable LP units for the three months ended December 31, 2020 was a net loss of \$131 thousand compared to a net loss of \$143 thousand in the prior year. The fair value adjustment to Class B exchangeable LP units for the twelve months ended December 31, 2020 was a net gain of \$1.1 million compared to a net loss of \$822 thousand in the prior year.

### LEASING AND OCCUPANCY

The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2020 (excluding developments, redevelopments and non-consolidated investments).

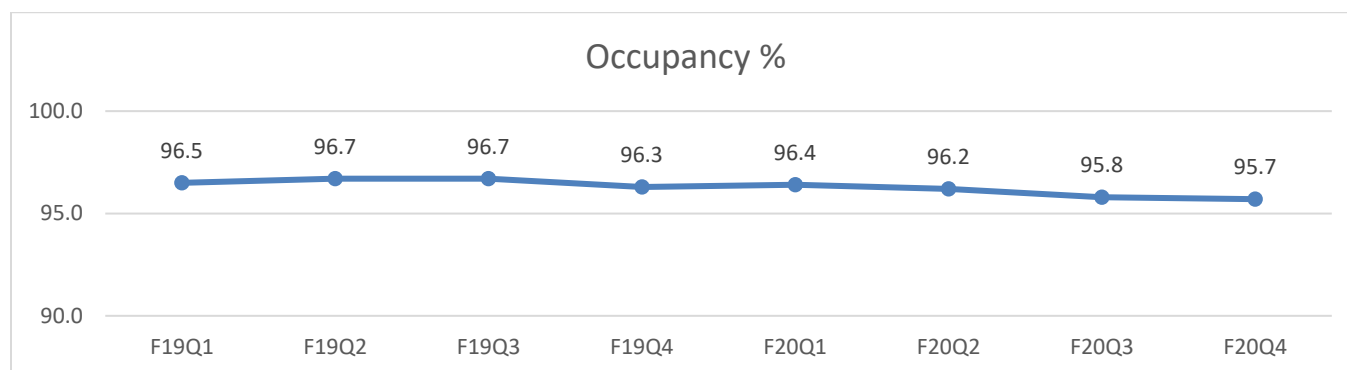
Year	Open-Air Centres		Enclosed Malls		Single-User Retail		Single-User QSR <sup>(2)</sup>		Total	
	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%
2021	457,272	9.4	91,467	15.4	17,452	2.0	23,226	12.9	<b>589,417</b>	<b>9.0</b>
2022	445,457	9.1	41,862	7.1	103,739	11.6	37,586	20.9	<b>628,644</b>	<b>9.6</b>
2023	592,683	12.2	194,685	32.9	152,739	17.1	29,812	16.6	<b>969,919</b>	<b>14.9</b>
2024	536,974	11.0	81,442	13.7	50,262	5.6	-	-	<b>668,678</b>	<b>10.2</b>
2025	499,452	10.3	41,328	7.0	156,515	17.5	4,861	2.7	<b>702,156</b>	<b>10.8</b>
Thereafter	2,333,273	48.0	141,592	23.9	412,925	46.2	84,396	46.9	<b>2,972,186</b>	<b>45.5</b>
Subtotal	4,865,111	100.0	592,376	100.0	893,632	100.0	179,881	100.0	<b>6,531,000</b>	<b>100.0</b>
Vacant	200,076		120,687		-		11,786		<b>332,549</b>	
<b>Total</b>	<b>5,065,187</b>		<b>713,063</b>		<b>893,632</b>		<b>191,667</b>		<b>6,863,549</b>	
<b>Weighted average lease term</b>	<b>6.3 years</b>		<b>3.6 years</b>		<b>5.8 years</b>		<b>5.9 years</b>		<b>5.9 years</b>	

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

<sup>(2)</sup> QSR refers to quick service restaurants.

At December 31, 2020, committed occupancy including non-consolidated investments (excluding properties under development and redevelopment) was 95.7% compared to 96.2% at December 31, 2019. Same-asset committed occupancy was 95.7% at December 31, 2020, compared to 96.0% at December 31, 2019.

Committed occupancy including non-consolidated investments (excluding properties under development and redevelopment) for the portfolio over the last eight quarters is as follows:



## Plaza Retail REIT

The weighted average contractual base rent per square foot on renewals/new leasing in 2020 versus expiries (excluding developments, redevelopments and non-consolidated investments) is outlined in the following table:

	Open-Air Centres	Enclosed Malls	Single-User Retail	Single-User QSR
<b>2020 – Q4 YTD</b>				
Leasing renewals (sq. ft.)	504,231	149,486	37,103	16,510
Weighted average rent (\$/sq. ft.)	\$13.90	\$9.07	\$13.35	\$24.72
Change in weighted average rent	2.1%	(1.5%)	6.4%	-
Expiries that renewed (sq. ft.)	504,231	149,486	37,103	16,510
Weighted average rent (\$/sq. ft.)	\$13.61	\$9.21	\$12.55	\$24.72
New leasing (sq. ft.)	137,812	6,648	2,228	-
Weighted average rent (\$/sq. ft.)	\$16.67	\$18.49	\$29.25	-
Expiries not renewed (sq. ft.)	139,886	41,552	1,590	5,640
Weighted average rent (\$/sq. ft.)	\$14.94	\$19.36	\$42.00	\$29.82
<b>2021</b>				
Expiries (sq. ft.)	457,272	91,467	17,452	23,226
Weighted average rent (\$/sq. ft.)	\$14.45	\$13.36	\$18.66	\$26.44

Including developments, redevelopments and non-consolidated investments, the Trust completed 1.0 million square feet of new and renewal leasing deals for the twelve months ended December 31, 2020.

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

- Committed occupancy in the open-air centres was 96.4% at December 31, 2020, compared to 96.9% at December 31, 2019.
- Committed occupancy for enclosed malls was 83.1% at December 31, 2020, compared to 88.0% at December 31, 2019.
- Committed occupancy for single use assets was 99.0% at December 31, 2020, compared to 98.6% at December 31, 2019.
- Pre-leased space in active properties under development was 85.7% at December 31, 2020.

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, 2020 represent approximately 54.0% of total base rent revenues in place.

	% of Base Rent Revenue <sup>(6)</sup>		% of Base Rent Revenue <sup>(6)</sup>
1. Shoppers Drug Mart/Loblaw <sup>(1)</sup>	24.7	6. Sobeys Group <sup>(5)</sup>	3.5
2. Dollarama	5.4	7. Staples	3.1
3. KFC <sup>(2)</sup>	4.8	8. Bulk Barn	1.9
4. Canadian Tire Group <sup>(3)</sup>	3.7	9. Giant Tiger	1.7
5. TJX Group <sup>(4)</sup>	3.6	10. Pet Smart	1.6
<b>Total: 54.0%</b>			

(1) Shoppers Drug Mart/Loblaw represents the following stores: Shoppers Drug Mart, No Frills, and Maxi.

(2) The majority is represented by two operators.

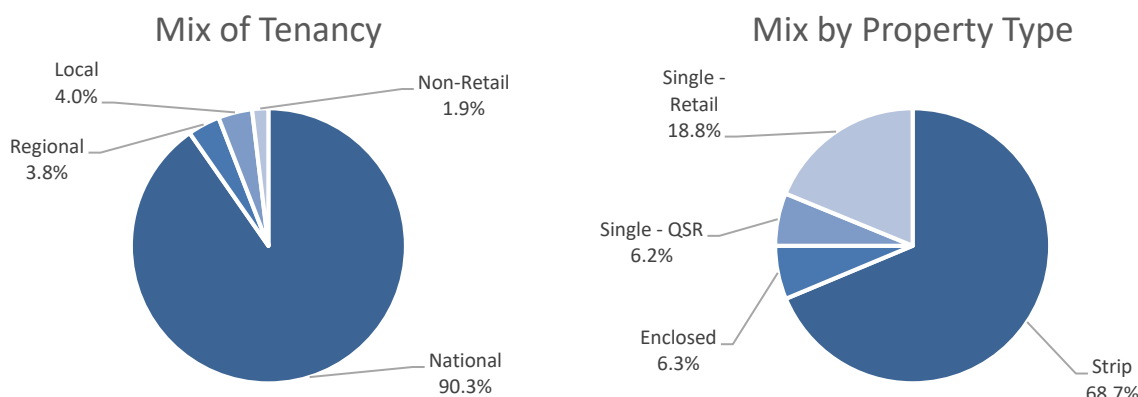
(3) Canadian Tire Group represents the following stores: Canadian Tire, Mark's/L'Équipeur, Party City, PartSource and Sport Chek.

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

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

(6) Excludes developments, redevelopments and non-consolidated investments.

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



## PART III

### OPERATING LIQUIDITY AND WORKING CAPITAL

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

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, and efficiencies in operations as well as other factors, including the impact of the pandemic on cash flow during 2020.

Plaza maintains a prudent cash distribution policy, in order to retain sufficient funds to manage the business, including ongoing maintenance capital expenditures and debt service. New capital raised is generally directed to acquisitions or continuing development activities, which are discretionary, based on the availability of such capital. In setting the annual distributions to unitholders, Plaza reviews budgets and forecasts and considers future growth prospects for the business, including developments/redevelopments and leasing within the portfolio and considers cash flow and profitability, the sustainability of margins, maintenance capital expenditures, debt service requirements, the satisfaction of statutory tests imposed by the laws governing Plaza for the declaration of distributions and other conditions, among other things. Plaza may also look at other capital market factors when determining distributions. Profit under IFRS is not used by Plaza when setting the annual distribution, as profit reflects, among other things, non-cash fair value adjustments relating to the Trust's income producing property and convertible debentures – items that are not reflective of Plaza's ability to pay distributions and outside of Plaza's control. In addition, because of items such as principal repayments, distributions may also exceed actual cash available from time to time.

Although Plaza currently pays distributions on a monthly basis, there can be no assurance regarding the amount and frequency of such distributions. Future distribution payments and the level thereof are subject to the discretion of the Board and will depend upon the numerous factors outlined above.

There can be no assurance regarding the amount of income to be generated by Plaza's properties. The ability of Plaza to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of Plaza, and will be subject to various factors including financial performance, current and forecasted economic conditions, obligations under applicable credit facilities, the sustainability of income derived from the tenant profile of Plaza's properties and maintenance capital expenditure requirements. Distributions may be increased, reduced or suspended entirely depending on Plaza's operations and the performance of Plaza's assets, at the discretion of the Board.

Plaza's annual distributions are currently set at \$0.28 per unit.

## Plaza Retail REIT

	<b>3 Months Ended December 31, 2020 (unaudited)</b>	<b>3 Months Ended December 31, 2019 (unaudited)</b>	<b>12 Months Ended December 31, 2020</b>	<b>12 Months Ended December 31, 2019</b>
<b>(000s)</b>				
Cash distributions paid <sup>(1)</sup>	<b>\$ 7,208</b>	\$ 7,235	<b>\$ 28,846</b>	\$ 29,020

<sup>(1)</sup> Cash distributions include cash distributions paid and payable to unitholders and distributions on Class B exchangeable LP units classified as finance costs.

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

	<b>3 Months Ended December 31, 2020 (unaudited)</b>	<b>3 Months Ended December 31, 2019 (unaudited)</b>	<b>12 Months Ended December 31, 2020</b>	<b>12 Months Ended December 31, 2019</b>
<b>(000s)</b>				
Cash provided by operating activities <sup>(1)</sup>	<b>\$ 5,837</b>	\$ 11,713	<b>\$ 31,722</b>	\$ 42,653
Total distributions <sup>(2)</sup>	<b>(7,208)</b>	(7,235)	<b>(28,846)</b>	(29,020)
Excess (shortfall) of cash provided by operating activities over total distributions	<b>\$ (1,371)</b>	\$ 4,478	<b>\$ 2,876</b>	\$ 13,633

<sup>(1)</sup> 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.

<sup>(2)</sup> Total distributions include cash distributions paid and payable to unitholders and distributions on Class B exchangeable LP units classified as finance costs.

Plaza believes its current distributions are sustainable based on expected and historical results and cash flows. The Trust continuously assesses the sustainability of future cash distributions based on various factors, including Plaza's operations and others discussed above.

Plaza's rent collections during Q3 & Q4 have improved dramatically. Including the federal and Quebec provincial government contribution under the CECRA program, all of which has been received to date, Plaza collected 97.9% of gross rent in Q3 and 98.9% in Q4.

As a result of the timing of significant property tax payments which had been deferred under a provincial deferral program due to COVID-19 and the timing of construction costs, distributions exceed cash provided by operating activities in the fourth quarter. Since the shortfall is due to timing and temporary impacts, Plaza does not believe that the distributions should be regarded as a return of capital for income tax purposes. Plaza believes its current distributions are sustainable based on expected and historical results and cash flows; cash provided by operating activities exceeded total distributions for the year.

**CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES**
**Operating and Development Facilities**

<b>(000s)</b>	<b>\$46.0 Million Operating</b>	<b>\$20.0 Million Development</b>	<b>\$15.0 Million Development</b>
December 31, 2019 <sup>(1)</sup>	\$ 17,339	\$ -	\$ 8,924
Net change	16,112	10,900	(2,447)
December 31, 2020 <sup>(1)</sup>	\$ 33,451	\$ 10,900	\$ 6,477
Interest rate	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.25%
Maturity	July 31, 2021	July 31, 2021	July 31, 2021
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service & maximum leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$0.5 million
Issued and outstanding	\$0.5 million	-	-

<sup>(1)</sup> 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, 2020, all debt covenants in respect of the above facilities have been maintained.

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

Plaza’s liquidity at December 31, 2020 is comprised of \$8.3 million of cash, \$12.0 million available to be drawn on the operating line, \$17.6 million of unused development facilities, \$8.5 million of unused construction facilities, including non-consolidated investments, and unencumbered assets with a value of approximately \$18.4 million.

## Plaza Retail REIT

### Mortgage Bonds

Plaza's mortgage bonds are secured by either property or cash. The terms of the mortgage bonds are as follows:

(000s)	Series X.1	Series X.2	Series XII
Interest rate	6.00%	6.15%	5.50%
Maturity date	March 25, 2021	June 25, 2022	July 15, 2022
Amount	\$2,005	\$3,195	\$3,000

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

On June 25, 2020, \$6.0 million of Series X mortgage bonds matured and \$5.2 million of these bonds were extended or issued. Of the \$5.2 million, \$2.0 million of these bonds were extended to March 25, 2021 at an interest rate of 6.0% and \$3.2 million of these bonds were extended to June 25, 2022 at an interest rate of 6.15%.

### Debentures

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

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

### Mortgages

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

During 2020, the Trust obtained new long-term financing for a property located in Brampton, ON in the amount of \$9.4 million with a term of 10 years and an interest rate of 2.29% and a mortgage was refinanced for a property located in St. Thomas, ON in the amount of \$6.0 million with a term of 10 years and an interest rate of 2.68%.

During 2020, the Trust renewed four mortgages for properties located in Edmunston, NB, Saint John, NB, and in New Glasgow, NS in the amount of \$12.7 million with a term of 1 year and at a weighted average interest rate of 2.13%.

During 2020, the Trust obtained new long-term financing for a property located in Yarmouth, NS in the amount of \$1.2 million with a term of 5 years and an interest rate of 2.33%, at the Trust's consolidated percentage ownership of 50%.

During 2020, the Trust obtained new long-term financing for a property located in Chicoutimi, QC in the amount of \$8.0 million with a term of 10 years and an interest rate of 2.94%, at the Trust's consolidated percentage ownership of 50%.

During 2020, the Trust obtained new long-term financing for a property located in New Minas, NS in the amount of \$5.4 million with a term of 10 years and an interest rate of 2.94%.

During 2020, the Trust obtained an interim facility of \$5.6 million for an acquired strip plaza located in Sault Ste. Marie, ON. This facility has a 2 year term with an interest rate of prime plus 1.00% or BA plus 2.50%. Mezzanine financing was also obtained during this acquisition, for two unsecured interest-only fixed rate loans in the amounts of \$1.8 million and \$1.2 million with a 5 year and 6 month term, respectively, with an interest rate of 5.0%.

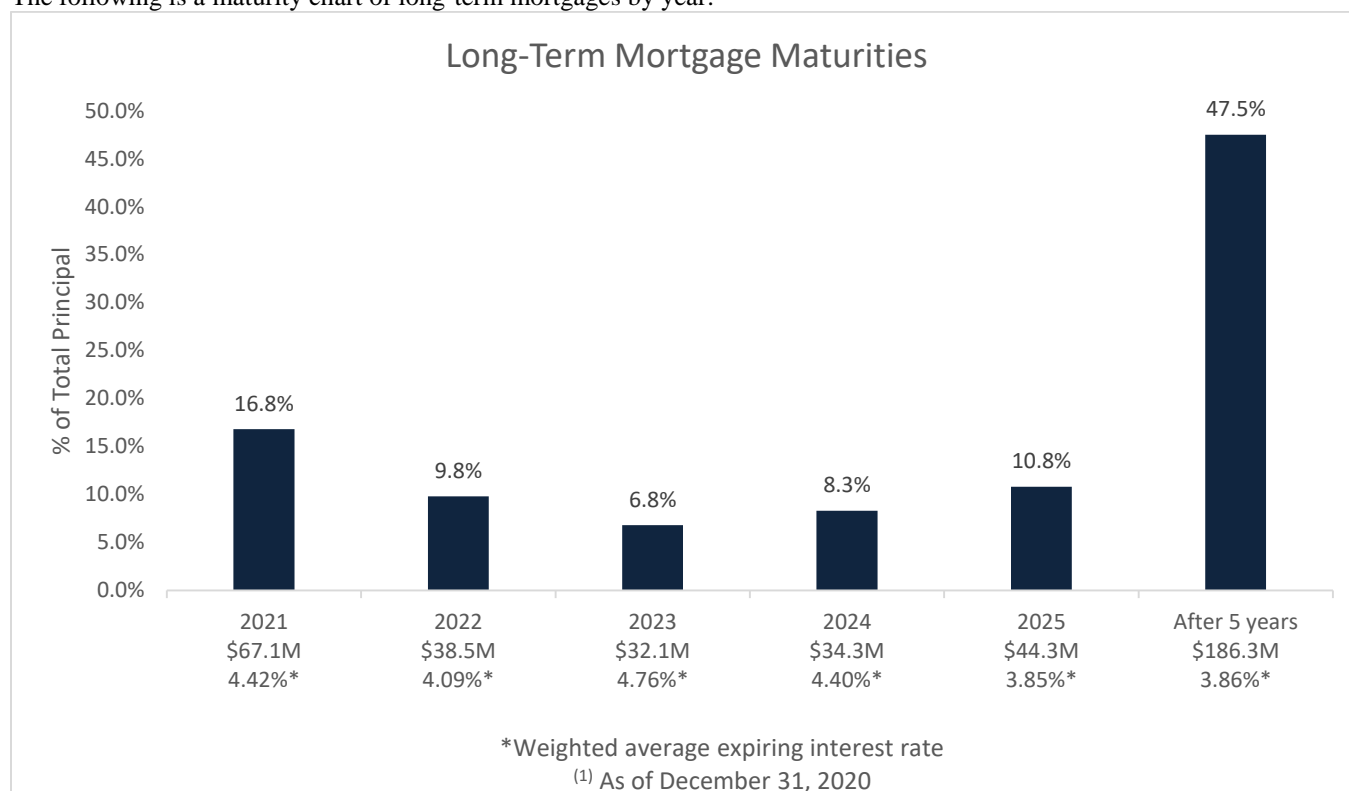


## Plaza Retail REIT

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

As a conservative interest rate risk management practice, the Trust's use of floating-rate debt is generally limited to its operating line (to fund ongoing operations and acquisitions) and its development lines/construction loans (until long term fixed-rate mortgage financing is placed on the completed development projects).

The following is a maturity chart of long-term mortgages by year:



The weighted average term to maturity for the long-term mortgages is 5.5 years. The average remaining repayment (amortization) period on long-term mortgage debt is 20.5 years.

## Plaza Retail REIT

### Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three and twelve months ended December 31, 2020, compared to the three and twelve months ended December 31, 2019 is presented below:

	3 Months Ended December 31, 2020 (unaudited)	3 Months Ended December 31, 2019 (unaudited)	12 Months Ended December 31, 2020 (unaudited)	12 Months Ended December 31, 2019 (unaudited)
<b>(000s – except debt service ratios)</b>				
<b>Profit (loss) and total comprehensive income (loss) for the period</b>	<b>\$ 9,275</b>	<b>\$ 8,017</b>	<b>\$ (14,937)</b>	<b>\$ 51,337</b>
Add (deduct):				
Income taxes	1,199	(232)	1,013	554
Finance costs	7,363	7,169	29,061	29,518
Fair value adjustment to investment properties	(2,169)	1,010	46,891	(18,748)
Fair value adjustment to investments	3,124	1,761	4,214	1,665
Fair value adjustment to convertible debentures	(712)	(185)	(3,429)	4,294
Fair value adjustment to Class B exchangeable LP units	131	143	(1,144)	822
Fair value adjustment to restricted and deferred units	26	12	(156)	53
Fair value adjustment to interest rate swaps	(538)	(1,380)	3,386	392
Fair value adjustment to right-of-use land lease assets	199	169	693	663
Equity accounting adjustment for interest rate swaps	112	(57)	291	(63)
<b>EBITDA</b>	<b>\$ 18,010</b>	<b>\$ 16,427</b>	<b>\$ 65,883</b>	<b>\$ 70,487</b>
Finance costs <sup>(1)</sup>	\$ 7,095	\$ 7,034	\$ 28,667	\$ 29,192
Periodic mortgage principal repayments <sup>(2)</sup>	3,205	2,885	11,455	11,458
<b>Total debt service</b>	<b>\$ 10,300</b>	<b>\$ 9,919</b>	<b>\$ 40,122</b>	<b>\$ 40,650</b>
<b>Debt service ratios</b>				
Interest coverage ratio	2.54 times	2.34 times	2.30 times	2.41 times
Debt coverage ratio	1.75 times	1.66 times	1.64 times	1.73 times

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

(2) Includes land lease principal repayments.

For the twelve months ended December 31, 2020, the interest and debt coverage ratios were lower than the prior year mainly due to \$6.0 million in lease buyout revenues recorded in the prior year.

The debt coverage and interest coverage ratios exceed the requirements under Plaza's borrowing arrangements.

### Debt to Gross Assets

Plaza's debt to gross assets is presented below:

	December 31, 2020	December 31, 2019
<b>Debt to gross assets:</b>		
Including convertible debentures <sup>(1)</sup>	59.7%	56.3%
Excluding convertible debentures	55.0%	51.8%

(1) Convertible debentures valued at cost.

The increase in debt to gross assets over the prior year relates mainly to the fair value decrease to investment properties of \$46.0 million for the year ended December 31, 2020. On January 1, 2019, the new accounting standard on leases was implemented requiring Plaza to record land lease liabilities and right-of-use land lease assets on its books. Excluding land leases and excluding convertible debentures, the debt to gross assets ratio is 52.2%; excluding land leases and including convertible debentures, the ratio is 57.1%. By its Declaration of Trust, Plaza is limited to an overall indebtedness ratio of 60% excluding convertible debentures and 65% including convertible debentures.

**Units**

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

<b>At February 25, 2021 (000s) (unaudited)</b>	<b>Units</b>
Current outstanding units	<b>101,804</b>
Class B exchangeable LP units	<b>1,191</b>
Series VII convertible debentures	<b>911</b>
Series E convertible debentures	<b>8,363</b>
<b>Total adjusted units outstanding</b>	<b>112,269</b>

On September 24, 2020, the Trust announced that it had received approval from the TSX for the renewal of its normal course issuer bid ("NCIB") for a further year. Plaza's prior NCIB expired on September 27, 2020; the period of the renewed NCIB commenced on September 28, 2020 and will conclude on the earlier of the date on which purchases under the bid have been completed and September 27, 2021. Under the terms of the renewed NCIB, the Trust can purchase up to 6,472,223 of its issued and outstanding units through the facilities of the TSX and any alternative trading system in Canada. Subject to certain prescribed exemptions and any block purchase made in accordance with the rules of the TSX, daily purchases made by the Trust may not exceed 44,809 units, representing 25% of the average daily trading volume of the units on the TSX for the six-month period ended August 31, 2020 (being 179,239 units). All units that are purchased under the renewed NCIB will be cancelled (on a monthly basis, on or before the record date for each monthly distribution). Unitholders may obtain a copy of the NCIB renewal notice, without charge, by contacting the Trust.

Plaza also entered into a new automatic securities purchase plan agreement (the "Plan") with its designated broker in order to facilitate purchases of units under the renewed NCIB. The Plan, which was pre-cleared by the TSX, allows for purchases of units by Plaza at times when it would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. The Plan will terminate on September 27, 2021.

For the year ended December 31, 2020, 395,797 units have been repurchased for cancellation under Plaza's prior and renewed NCIB at a weighted average price of \$3.5613. With this, to December 31, 2020, Plaza has purchased a total of 1,117,486 units for cancellation since the commencement of the original NCIB on September 28, 2018 at a weighted average of \$4.0113.

Subsequent to year end, an additional 4,650 units have been repurchased under the renewed NCIB at an average unit price of \$3.6459.

**Land Leases**

Return on invested cash or equity is a measure Plaza uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall unitholder return. In some instances, use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease.

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

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

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

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

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

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

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

The Trust has 27 long-term land leases (affecting 26 properties). One of the land leases relates to shared parking facilities. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 34 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 60 years including these non-automatic renewal options. Of the 27 land leases, 11 of the land leases have options to purchase, generally at fair market value. At December 31, 2020, the recorded amount of the right-of-use assets and land lease liabilities is \$66.7 million.

## Plaza Retail REIT

### Gross Capital Additions Including Leasing Fees:

(000s)	3 Months Ended December 31, 2020 (unaudite	3 Months Ended December 31, 2019 (unaudited)	12 Months Ended December 31, 2020 (unaudited)	12 Months Ended December 31, 2019 (unaudited)
<b>Existing properties</b>				
Leasing commissions	\$ 149	\$ 72	\$ 478	\$ 232
Other leasing costs	275	487	801	2,058
	424	559	1,279	2,290
Maintenance capital expenditures	515	153	1,509	1,295
<b>Total capital additions – existing properties</b>	<b>939</b>	<b>712</b>	<b>2,788</b>	<b>3,585</b>
<b>Development/redevelopment properties</b>				
Leasing commissions	14	202	161	365
Other leasing costs	2,003	3,708	7,890	8,630
Capital additions	6,333	2,673	17,304	14,193
<b>Total capital additions - developments/redevelopments</b>	<b>8,350</b>	<b>6,583</b>	<b>25,355</b>	<b>23,188</b>
<b>Total gross additions per statements of cash flows</b>	<b>\$ 9,289</b>	<b>\$ 7,295</b>	<b>\$ 28,143</b>	<b>\$ 26,773</b>
<b>Reconciliation of leasing costs for AFFO purposes</b>				
Leasing costs – existing properties per above	\$ 424	\$ 559	\$ 1,279	\$ 2,290
Internal leasing salaries	198	252	1,229	1,035
<b>Total leasing costs – existing properties for AFFO</b>	<b>\$ 622</b>	<b>\$ 811</b>	<b>\$ 2,508</b>	<b>\$ 3,325</b>

## COMMITMENTS AND CONTINGENT LIABILITIES

### Commitments

The Trust estimates \$11.2 million in commitments in respect of development activities. Management believes that Plaza has sufficient unused bank and development line availability, cash and/or mortgage bond deployment potential, to fund these commitments.

The Trust's estimated commitments at December 31, 2020 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	After 5 Years	Face Value Total
Mortgages – periodic payments	\$ 11,046	\$ 10,411	\$ 8,978	\$ 8,613	\$ 7,590	\$ 26,589	\$ 73,227
Mortgages – due at maturity	65,892	38,456	26,498	32,501	42,527	186,340	392,214
Development lines of credit	17,377	-	-	-	-	-	17,377
Construction loans	8,855	5,558	-	-	-	-	14,413
Unsecured interest-only loans	1,200	-	5,643	2,971	1,800	-	11,614
Bank indebtedness	33,451	-	-	-	-	-	33,451
Mortgage bonds payable	2,005	6,195	-	-	-	-	8,200
Debentures <sup>(1)</sup>	9,360	6,000	47,250	-	-	-	62,610
Land leases	3,252	3,240	3,206	3,243	3,283	121,741	137,965
Development activities	11,236	-	-	-	-	-	11,236
<b>Total contractual obligations</b>	<b>\$ 163,674</b>	<b>\$ 69,860</b>	<b>\$ 91,575</b>	<b>\$ 47,328</b>	<b>\$ 55,200</b>	<b>\$ 334,670</b>	<b>\$ 762,307</b>

<sup>(1)</sup> Stated at face value.

### Contingent Liabilities

The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of the underlying properties, where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2020 totals \$4.7 million with a weighted average remaining term of 2.1 years. As well, the Trust has contingent liabilities as original borrower on five mortgages partially assumed by the purchasers of the underlying properties, where a 50% interest in each was sold in November 2017. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2020 totals \$5.6 million with a weighted average remaining term of 5.5 years. The Trust also has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of the underlying properties, where a 50% interest in each was sold in August 2020. 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, 2020 totals \$7.5 million with a weighted average remaining term of 7.0 years.

The Trust guarantees a \$3.9 million commitment relating to the mortgage of an asset sold in 2018, with a weighted average remaining term of 3.6 years at December 31, 2020.

The Trust is contingently liable for certain obligations of its co-venturers, under guarantees in excess of its ownership percentages for six strip plazas and four free-standing properties. The excess guarantees amount to \$14.4 million. Cross indemnities are in place for certain of these properties from co-venturers.

## PART IV

## SUMMARY OF SELECTED QUARTERLY INFORMATION

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

(000s except per unit and percentage data) (unaudited)	Q4'20	Q3'20	Q2'20	Q1'20	Q4'19	Q3'19	Q2'19	Q1'19
Total revenue <sup>(1)</sup>	\$25,344	\$29,736	\$23,522	\$29,857	\$27,685	\$28,437	\$28,491	\$33,858
Property rental revenue	\$26,835	\$25,960	\$26,781	\$27,322	\$27,473	\$26,868	\$26,373	\$31,747
Net property operating income	\$18,137	\$17,631	\$16,094	\$16,888	\$16,785	\$18,015	\$16,449	\$21,478
Profit (loss) and total comprehensive income (loss)	\$9,275	\$9,185	\$(31,299)	\$(2,098)	\$8,017	\$10,076	\$16,954	\$16,290
Distributions per unit	7.0¢	7.0¢	7.0¢	7.0¢	7.0¢	7.0¢	7.0¢	7.0¢
Funds from operations per unit – basic	10.2¢	9.1¢	7.7¢	8.8¢	8.9¢	9.8¢	8.1¢	12.8¢
Funds from operations per unit – diluted	10.0¢	9.0¢	7.7¢	8.7¢	8.8¢	9.6¢	8.0¢	12.3¢
Adjusted funds from operations per unit – basic	9.2¢	8.1¢	6.8¢	7.5¢	7.9¢	8.4¢	7.2¢	11.7¢
Adjusted funds from operations per unit – diluted	9.0¢	8.1¢	6.8¢	7.5¢	7.8¢	8.3¢	7.2¢	11.3¢
Distributions as a percentage of basic FFO	68.3%	76.8%	91.0%	79.1%	78.6%	71.5%	86.3%	54.9%
Distributions as a percentage of basic AFFO	76.4%	85.9%	102.3%	93.4%	88.4%	83.5%	97.2%	60.0%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	6,869	6,764	6,744	6,731	6,733	6,406	6,418	6,430
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	95.5%	95.3%	95.7%	96.1%	96.3%	96.5%	96.5%	96.3%

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

During the last eight quarters occupancy has remained high which contributes to stability of cash flow. Significant fluctuations in profit and loss are mainly due to non-cash fair value adjustments on the Trust's investment properties and debt instruments. Fair value adjustments are based on market parameters for which the Trust has no control.

Some of Plaza's leases have common cost recoveries from tenants linked to CPI or otherwise have caps on operating cost recoveries. At December 31, 2020, approximately 47.8% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (also referred to as "CAM") cost recoveries. As a result of all of these factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs, as well as yearly repair and maintenance activities which typically occur in spring and early summer, which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

## **PART V**

### **RISKS AND UNCERTAINTIES**

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At December 31, 2020, the Trust held interests in 268 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Instruments and Risk Management Note 28 to the December 31, 2020 Consolidated Financial Statements of the Trust for further details. Also see the Trust's AIF for the year ended December 31, 2019 dated March 30, 2020 for a list of risks and uncertainties applicable to the Trust's business.

#### **COVID-19**

The worldwide spread of COVID-19, declared as a global pandemic by the World Health Organization, has caused, and is anticipated to continue to cause, significant disruption to the Canadian economy. The COVID-19 pandemic has had and will likely continue to have an impact on Plaza's business as well as the business of various tenants, thereby impacting tenants' abilities to meet their payment obligations, including rent, and potentially causing business closures or bankruptcy filings by some tenants. The pandemic may also have an adverse impact on consumer demand, the demand for retail space, rental and occupancy rates, future cash flows and the resulting valuation of the Trusts investment properties. During 2020, the pandemic impacted Plaza's cash flow, as certain tenants were unable to pay rent, resulting in an increase in bad debt; the Trust also wrote-off amounts under the CECRA program and abated rent to assist certain tenants. The pandemic also impacted the fair value of the Trust's investment properties, as capitalization rates for certain asset types increased, and the Trust revised its projections of future cash flows for certain investment properties. Additional impacts from COVID-19 are noted in Part VI below.

The uncertainty has also increased volatility in the capital markets, which has negatively impacted the market price for the Trust units, and may impact the Trust's ability to raise capital on acceptable terms or at all. The Trust continues to address the current and prepare for subsequent waves of the virus, including the implications of further delays in economic recovery. In addition, many of the risks disclosed in Plaza's AIF could be exacerbated by the pandemic.

Plaza has established a COVID-19 Committee to oversee its response to this crisis, and has implemented appropriate policies and procedures to ensure that Plaza is continuing to conduct business in a safe and effective manner, including implementing technology to permit our entire team to work remotely. Plaza continues to actively execute its pandemic plan and support its tenants and employees by applying suitable opening and operating practices, such as increased sanitation and physical distancing, in compliance with various public health guidelines.

#### **Interest Rate, Financing and Refinancing Risk**

Management attempts to lock in cash returns on assets for the longest period possible, considering exposure to debt maturing and leases expiring in any given year. Matching as closely as possible the debt term on a particular asset with its average lease term, helps ensure that any interest rate increases could be offset by increases in rental rates.

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used on its operating line of credit and for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The hypothetical impact of a 1% change in interest rates would be approximately \$664 thousand. The Trust mitigates its exposure to fixed-rate interest risk on its debt by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. 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 2021 or properties needing long term financing in 2021 will be able to be financed or refinanced as they come due.

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



### **Credit Risk**

Credit risk mainly arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plaza's tenant mix is diversified and heavily weighted to national tenants. Plaza also maintains a portfolio that is diversified geographically so that exposure to local business is lessened and Plaza limits loans granted under lease arrangements to credit-worthy, mainly national, tenants.

Currently one tenant, Shoppers Drug Mart/Loblaw, represents 24.7% of current monthly base rents in place, Dollarama represents 5.4% and franchisees of KFC represent 4.8%. The top 10 tenants collectively represent approximately 54.0% of current monthly base rents in place. National and regional tenants represent 94.0% of the tenant base, based on base rents in place.

### **Lease Roll-Over and Occupancy Risk**

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

Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space. As well, management attempts to stagger the lease expiry profile so that Plaza is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix by geographic location and ensuring that the Trust maintains a well-staffed and highly skilled leasing department.

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

The hypothetical impact to NOI of a change in portfolio occupancy of 1% would be approximately \$600 thousand to \$1.0 million per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes.

### **Development and Acquisition Risk**

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

### **Environmental Risk**

As an owner of real property in Canada, Plaza is subject to various laws relating to environmental matters which deal primarily with liability for damages or costs with respect to the release of hazardous, toxic or other regulated substances into the environment, such as asbestos or petroleum products, and the removal or other remediation thereof. Applicable laws may impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. 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 or other remediation of hazardous, toxic or other regulated substances or claims against Plaza. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plaza's portfolio, or of any material pending or threatened actions, investigations or claims against Plaza relating to environmental matters. Plaza manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environmental risk before any purchase or development.

### **Status of the REIT**

Plaza is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its mutual fund trust status. Should Plaza cease to qualify as a mutual fund trust, the consequences could be material and adverse. As well, Plaza conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flow-through vehicle for the particular year. Should Plaza not meet the conditions to qualify as a REIT in a particular year, it may be

subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions, and its distributable cash may be materially reduced. Management believes that it complies with both the mutual fund trust rules and the REIT rules.

## **PART VI**

### **COVID-19 IMPACTS**

The outbreak of COVID-19 has resulted in numerous measures implemented by governments in Canada to combat the spread of the virus. These measures, including physical distancing, previous widespread and current selective retail closures, and travel restrictions, have resulted in material disruption to businesses, and have had a material impact on the economy, including equity and capital markets.

The pandemic has also had an impact on Plaza's development program, with temporary delays as a result of construction shut-downs in certain jurisdictions, and delays with planning, rezoning and permitting.

COVID-19 has impacted Plaza's cash flow, as the Trust has received requests from tenants for rent deferrals and abatements, and certain tenants have withheld rent. To assist certain of Plaza's tenants that demonstrate a need for assistance, Plaza has agreed to defer a portion of their rent, with an agreement to repay the amount over a specified period, which generally commenced in Q3 2020. Plaza has also agreed to abate rent, or a portion thereof, for certain tenants. In addition, Plaza has participated in the CECRA program, which provided 75% rent abatement for eligible tenants for April through September, funded via a 25% write-off by the landlord and 50% funded by the federal government. The Quebec provincial government participated in the program by reimbursing landlords for 50% of their write-off, thereby reducing the landlord's write-off for Quebec properties to 12.5%.

In October 2020, the federal government announced the Canada Emergency Rent Subsidy ("CERS") to replace the CECRA program, which expired at the end of September. The CERS program is intended to provide support for eligible businesses that have experienced a revenue drop due to COVID-19, by subsidizing a percentage of their eligible expenses, including rent and interest on commercial mortgages. The maximum subsidy for eligible businesses is 65%, or up to 90% for eligible businesses temporarily shut down by a mandatory public health order. Notably, the new subsidy will be provided directly to tenants, unlike CECRA which required landlords to abate 25% of a qualified tenant's rent. Plaza is assisting its' tenants with their CERS applications, whenever possible.

The Government of Canada introduced the Canadian Emergency Wage Subsidy ("CEWS") program in 2020 which provides a subsidy for Canadian employers who have seen a drop in revenue during the COVID-19 pandemic. The Trust qualified and has recorded a CEWS government receivable. \$531 thousand of the subsidy was recorded to reduce operating expenses, \$291 thousand was recorded to reduce administrative expenses, and \$86 thousand was recorded to reduce capitalized salaries. The CEWS receivable was received subsequent to year end.

To mitigate the impacts from COVID-19, the Trust is prudently managing its capital, including temporarily deferring new acquisitions and developments that are not committed, proactively managing costs to reduce operating, general and administrative expenses, deferred monthly mortgage payments during Q2 under agreements with certain lenders, and deferring elective capital expenditures. Plaza continues to actively monitor the availability and anticipated effect of government relief programs that may be applicable, and participating in such programs where beneficial to the Trust and its tenants.

### **Rent Collections**

	Q2 2020	Q3 2020	Q4 2020
Gross rent collected from tenants	84.1%	95.0%	<b>98.9%</b>
CECRA – Federal and Quebec Government contribution	4.0%	2.9%	-
Total collections including government contributions under CECRA	88.1%	97.9%	<b>98.9%</b>
CECRA – 25% Landlord write-off	1.5%	1.0%	-
Rent abated	2.5%	0.3%	<b>0.1%</b>
Rent deferred with a definitive repayment schedule	5.0%	0.6%	-
Remaining tenant accounts receivable <sup>(1)</sup>	2.9%	0.2%	<b>1.0%</b>
Totals	100.0%	100.0%	<b>100.0%</b>

<sup>(1)</sup> Remaining accounts receivable excludes allowance for doubtful accounts.

## Plaza Retail REIT

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To date, 97.0% of gross rent for January 2021 has been collected.

For deferred rent that was to be repaid in Q4 2020, Plaza collected 95.4% of same. For deferred rent that was to be repaid in January 2021, to date, Plaza has collected 95.3% of same.

Approximately 96% of Plaza's portfolio is now open, with restaurants in certain jurisdictions offering take-out or delivery only, and non-essential retail tenants in certain jurisdictions offering curb-side pick-up only.

Although the fair value of its properties reflects its best estimates as at December 31, 2020 (see Note 4 of the accompanying Financial Statements), Plaza is continuing to review its future NOI and cash flow projections. Depending on the duration and full impacts of COVID-19, certain aspects of Plaza's operations could be affected, including rental and occupancy rates, demand for retail space, capitalization rates, and the resulting value of Plaza's properties. The full extent and duration of the COVID-19 pandemic, including the resulting impacts on Plaza's business and its tenants, remains uncertain at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the future financial results of the Trust.

## PART VII

### RELATED PARTY TRANSACTIONS

#### Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. The notes are repayable on sale or refinancing of the related asset.

(000s)	December 31, 2020	December 31, 2019
<b>Non-interest bearing notes:</b>		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta (President & Chief Executive Officer and trustee)	\$ 261	\$ 261

#### Bonds and Debentures Held

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

(000s)	December 31, 2020	December 31, 2019
Earl Brewer (trustee)	\$ 325	\$ 325
Stephen Johnson (trustee)	200	200
Doug McGregor (Chairman and trustee)	400	-
<b>Total</b>	<b>\$ 925</b>	<b>\$ 525</b>

No other trustee or key management personnel own mortgage bonds or debentures of the Trust at December 31, 2020.

#### Other Related Party Transactions

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

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At December 31, 2020 there is a \$6 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees. For the twelve months ended December 31, 2020, property management, development, financing and leasing fees of \$70 thousand were earned by a subsidiary of the Trust from this property.

## **Plaza Retail REIT**

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

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At December 31, 2020 there is \$7.2 million owed by the properties to the Trust which is recorded in notes and advances. As well, there is a \$49 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees. For the twelve months ended December 31, 2020, property management, leasing, development and financing fees of \$289 thousand were earned by a subsidiary of the Trust from these properties.

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2020, property management fees of \$5 thousand were earned by a subsidiary of the Trust from these properties.

Earl Brewer, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At December 31, 2020 there is a \$5 thousand accounts receivable balance owing to the Trust for property management, development and leasing fees. For the twelve months ended December 31, 2020, property management, leasing and development fees of \$75 thousand were earned by a subsidiary of the Trust from these properties.

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2020, property management fees of \$36 thousand were earned by a subsidiary of the Trust from these properties.

Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At December 31, 2020 there is a \$16 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2020, property management, leasing and development fees of \$160 thousand were earned by a subsidiary of the Trust from these properties.

Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following five properties: 5628 4th Street NW, Calgary, AB, 303 Main St., Antigonish, NS, 912 East River Rd, New Glasgow, NS, 1 Mont-Royal Ave E, and 8222 Maurice-Duplessis Blvd., Montreal, QC. A subsidiary of the Trust manages the properties. At December 31, 2020 there is a \$2 thousand accounts receivable balance owing to the Trust for property management fees. From August 28, 2020 to December 31, 2020, property management fees of \$11 thousand were earned by a subsidiary of the Trust from these properties.

## **PART VIII**

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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

A control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent

limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

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

The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design of the Trust's DC&P and ICFR at December 31, 2020. Based on that evaluation they determined that the Trust's DC&P and ICFR were appropriately designed based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the twelve months ended December 31, 2020, there were no changes in the Trust's ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

### CRITICAL ACCOUNTING POLICIES

#### Critical Accounting Estimates

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

##### (i) Investment properties

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

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

##### (a) Internal approach – direct capitalization income approach

Income producing properties are valued using the direct capitalization method. Under this method, fair value is estimated by applying capitalization rates to stabilized net operating income (property revenue less property operating expenses), with the resulting value reduced by any costs to complete or required to achieve stabilization. Normalized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). The key assumption is the capitalization rate for each specific property. The Trust receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust generally 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.

##### (b) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuers in preparing their

reports and holds discussions with them on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations.

At December 31, 2020 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 \$24.2 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$21.7 million.

### FUTURE ACCOUNTING POLICY CHANGES

Please refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2020 for details about future accounting policy changes.

### EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

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

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

FFO and AFFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions. AFFO is an industry standard widely used for measuring recurring or sustainable economic operating performance and AFFO further primarily adjusts FFO for operating capital and leasing (both internal and external) requirements that must be made to preserve the existing rental stream. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be included in determining AFFO. See the reconciliation of FFO and AFFO to profit for the period attributable to unitholders in Part II of this MD&A under the heading "Property and Corporate Financial Performance".

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

**FFO per unit and AFFO per unit** are not IFRS financial measures. Plaza calculates FFO per unit and AFFO per unit as FFO or AFFO divided by the weighted average number of units outstanding.

**Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)** is not an IFRS financial measure. EBITDA, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before finance costs, income tax expense, gains/losses on property dispositions, unrealized changes from fair value adjustments, transaction costs expensed as a result of the purchase of a business or properties, and net revaluation of interest rate swaps. See the reconciliation of EBITDA to profit for the period in Part III of this MD&A under the heading "Capital Resources, Equity and Debt Activities – Debt Service Ratios".

**Same-Asset Net Property Operating Income (Same-asset NOI)** is not an IFRS financial measure. Same-asset NOI, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. Same-asset NOI is used by Plaza to evaluate the period over period performance of those properties owned by Plaza since January 1, 2019, and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition. Its calculation is revenues less operating expenses for the same-asset pool of properties. The revenues or operating expenses exclude the impact of non-cash straight-line rent, administrative expenses charged to NOI, property tax settlements and lease buyout revenue. Excluding these items enables the users to better understand the period over period performance for a consistent pool of assets from contractual rental rate changes embedded in lease agreements, and the impact of leasing and occupancy on the same-asset portfolio. See the reconciliation of same-asset NOI to NOI in Part II of this MD&A under the heading "Property and Corporate Financial Performance".

**EXPLANATION OF ADDITIONAL IFRS MEASURES USED IN THIS DOCUMENT**

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

**ADDITIONAL INFORMATION**

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

**PROPERTIES OF THE TRUST**

A chart listing the Trust's properties at December 31, 2020 can be accessed on Plaza's website at [www.plaza.ca](http://www.plaza.ca).

APPENDIX A**FOURTH QUARTER 2020 INCOME RESULTS****Consolidated Statements of Comprehensive Income**

<b>(000s) (unaudited)</b>	<b>3 Months Ended December 31, 2020</b>	<b>3 Months Ended December 31, 2019</b>
Revenues	\$ 26,835	\$ 27,473
Operating expenses	(8,698)	(10,688)
<b>Net property operating income</b>	<b>18,137</b>	<b>16,785</b>
Share of loss of associates	(2,366)	(843)
Administrative expenses	(1,899)	(2,286)
Investment income	119	170
Other income	756	885
<b>Income before finance costs, fair value adjustments and income taxes</b>	<b>14,747</b>	<b>14,711</b>
Finance costs	(7,363)	(7,169)
Finance costs – net change in fair value of convertible debentures	712	185
Finance costs – net change in fair value of Class B exchangeable LP units	(131)	(143)
Finance costs – net change in fair value of interest rate swaps	539	1,380
Net change in fair value of right-of-use land lease assets	(199)	(169)
Net change in fair value of investment properties	2,169	(1,010)
<b>Profit before income tax</b>	<b>10,474</b>	<b>7,785</b>
Income tax recovery (expense)		
- Current	(18)	(100)
- Deferred	(1,181)	332
	<b>(1,199)</b>	<b>232</b>
<b>Profit and total comprehensive income for the period</b>	<b>\$ 9,275</b>	<b>\$ 8,017</b>
<b>Profit and total comprehensive income for the period attributable to:</b>		
- Unitholders	\$ 9,306	\$ 8,256
- Non-controlling interests	(31)	(239)
	<b>\$ 9,275</b>	<b>\$ 8,017</b>



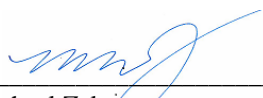
### Management's Statement of Responsibility for Financial Reporting

The accompanying consolidated financial statements and information have been prepared by, and are the responsibility of, the management of the Trust. The financial statements have been prepared within accepted limits of materiality and in accordance with the International Financial Reporting Standards appropriate in the circumstances.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for preparation of financial statements.

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

KPMG LLP, the independent auditors appointed by the unitholders based on the recommendation of the Board of Trustees, have been engaged to audit the consolidated financial statements and provide an independent professional opinion thereon. The auditors have full and independent access to the Audit Committee to discuss audit and related matters with and without the presence of management and non-independent Trustees.



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Michael Zakuta  
President and CEO  
February 25, 2021



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Jim Drake  
Chief Financial Officer  
February 25, 2021



**KPMG LLP**  
Frederick Square  
77 Westmorland Street, Suite 700  
Fredericton NB E3B 6Z3  
Canada  
Tel 506-452-8000  
Fax 506-450-0072

## **INDEPENDENT AUDITORS' REPORT**

To the Unitholders of Plaza Retail REIT

### ***Opinion***

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

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated results of financial performance, and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### ***Basis for Opinion***

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

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

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

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.



## **Evaluation of the Valuation of Income Producing Properties**

### **Description of the matter:**

We draw attention to Notes 2(c)(i), 3(b), and 4 to the financial statements. The Entity uses the fair value model to account for income producing properties. The Entity has recorded income producing properties at fair value for an amount of \$972,430 thousand as at December 31, 2020. Significant assumptions include future stabilized net operating income and capitalization rates applied to the future stabilized net operating income.

### **Why the matter is a key audit matter:**

We identified the evaluation of the fair value of income producing properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of income producing properties and the high degree of estimation uncertainty in determining the fair value of income producing properties. In addition, significant auditor judgement and specialized skills and knowledge were required in performing, and evaluating, the results of our audit procedures due to the sensitivity of the fair value of income producing properties to minor changes in certain significant assumptions.

### **How the matter was addressed in the audit:**

The primary procedures we performed to address this key audit matter included the following:

For a selection of income producing properties, we assessed the Entity's ability to accurately forecast by comparing the Entity's future stabilized net operating income used in the prior year's estimate of the fair value of income producing properties to actual results.

For a selection of income producing properties, we compared the Entity's future stabilized net operating income to the actual historical net operating income. We assessed the future stabilized net operating income by:

- Taking into account the changes in conditions and events affecting the selected income producing properties
- Considering the adjustments, or lack of adjustments, made by the Entity in arriving at the future stabilized net operating income.

We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating, for the overall portfolio, the appropriateness of the capitalization rate ranges used by the Entity's internal valuation team and external appraisers. These rates were evaluated by comparing them to published reports of real estate industry commentators.

We evaluated the competence, capabilities and objectivity of the external independent appraisers by:

- Inspecting evidence that the appraisers are in good standing with the Appraisal Institute
- Considering whether the appraisers have appropriate knowledge in relation to the specific type of investment properties
- Reading the reports of the external independent appraisers which refers to their independence

### **Other Information**

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

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

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



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

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

We have nothing to report in this regard.

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

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

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

Fredericton, Canada

February 25, 2021

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

December 31, December 31,  
2020 2019

**Assets**

**Non-Current Assets**

Investment properties (Note 4)	\$ 1,061,136	\$ 1,086,680
Investments (Note 5)	46,939	49,124
Tenant loans	402	530
Deferred income tax asset (Note 16)	335	364
<b>Total non-current assets</b>	<b>1,108,812</b>	<b>1,136,698</b>

**Current Assets**

Investment properties held for sale (Note 4)	3,128	609
Cash	8,274	8,845
Receivables (Note 6)	8,106	4,285
Prepaid expenses and deposits (Note 7)	3,492	5,383
Tenant loans	109	110
Notes and advances receivable (Note 8)	7,206	6,038
<b>Total current assets</b>	<b>30,315</b>	<b>25,270</b>
<b>Total assets</b>	<b>\$ 1,139,127</b>	<b>\$ 1,161,968</b>

**Liabilities and Unitholders' Equity**

**Non-Current Liabilities**

Debentures payable (Note 9)	\$ 51,631	\$ 64,190
Mortgage bonds payable (Note 10)	6,146	2,950
Mortgages payable (Note 11)	405,667	414,125
Class B exchangeable LP units (Note 21)	4,300	5,444
Land lease liabilities (Note 13)	65,986	59,219
Deferred income tax liability (Note 16)	8,116	7,247
<b>Total non-current liabilities</b>	<b>541,846</b>	<b>553,175</b>


**Current Liabilities**


Current portion of debentures payable (Note 9)	9,176	-
Current portion of mortgage bonds payable (Note 10)	1,997	5,987
Bank indebtedness (Note 12)	33,451	17,339
Current portion of mortgages payable (Note 11)	104,369	90,228
Mortgage payable of investment property held for sale (Note 11)	709	-
Accounts payable, accrued liabilities, tenant payables and tenant deposits (Note 14)	18,681	21,647
Land lease liabilities (Note 13)	760	688
Notes payable (Note 15)	1,236	1,456
<b>Total current liabilities</b>	<b>170,379</b>	<b>137,345</b>
<b>Total liabilities</b>	<b>712,225</b>	<b>690,520</b>

Unitholders' equity	422,407	467,142
Non-controlling interests	4,495	4,306
<b>Total unitholders' equity</b>	<b>426,902</b>	<b>471,448</b>
<b>Total liabilities and unitholders' equity</b>	<b>\$ 1,139,127</b>	<b>\$ 1,161,968</b>

Contingencies, commitments, guarantees and indemnities, litigation and provisions – see Note 27

Subsequent events – see Note 30

  
Doug McGregor, Trustee  
Chair of the Board

  
Barbara Trenholm, Trustee  
Chair of the Audit Committee

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

## Plaza Retail REIT

### Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars)

	2020	2019
Revenues (Note 17)	\$ 106,898	\$ 112,461
Operating expenses (Note 18)	(38,148)	(39,734)
<b>Net property operating income</b>	<b>68,750</b>	<b>72,727</b>
Share of profit (loss) of associates	(1,305)	1,229
Administrative expenses (Note 19)	(8,777)	(9,905)
Investment income	503	981
Other income	2,363	3,800
<b>Income before finance costs, fair value adjustments and income taxes</b>	<b>61,534</b>	<b>68,832</b>
Finance costs (Note 20)	(29,061)	(29,518)
Finance costs - net change in fair value of convertible debentures (Note 9)	3,429	(4,294)
Finance costs - net change in fair value of Class B exchangeable LP units (Note 21)	1,144	(822)
Finance costs - net change in fair value of interest rate swaps (Note 11 and 28)	(3,386)	(392)
Net change in fair value of right-of-use land lease assets (Note 4)	(693)	(663)
Net change in fair value of investment properties (Note 4)	(46,891)	18,748
<b>Profit (loss) before income tax</b>	<b>(13,924)</b>	<b>51,891</b>
Income tax expense		
- Current	(115)	(288)
- Deferred	(898)	(266)
	<b>(1,013)</b>	<b>(554)</b>
<b>Profit (loss) and total comprehensive income (loss) for the year</b>	<b>\$ (14,937)</b>	<b>\$ 51,337</b>
<b>Profit (loss) and total comprehensive income (loss) for the year attributable to:</b>		
- Unitholders	\$ (14,908)	\$ 51,407
- Non-controlling interests	(29)	(70)
	<b>\$ (14,937)</b>	<b>\$ 51,337</b>

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

## Plaza Retail REIT

### Consolidated Statements of Changes in Unitholders' Equity

(in thousands of Canadian dollars)

	Trust Units (Note 21)	Retained Earnings	Total Attributable to Unitholders	Non- Controlling Interests	Total Equity
<b>Balance as at December 31, 2018</b>	\$ 278,058	\$ 169,123	\$ 447,181	\$ 4,521	\$ 451,702
Profit and total comprehensive income (loss) for the year	-	51,407	51,407	(70)	51,337
Transactions with unitholders, recorded directly in equity:					
- Issuance of units under the RU plan (Note 21)	273	-	273	-	273
- Repurchase of units under normal course issuer bid (Note 21)	(1,925)	(1,108)	(3,033)	-	(3,033)
- Distributions to unitholders (Note 23)	-	(28,686)	(28,686)	-	(28,686)
- Distributions from non-controlling interests	-	-	-	(145)	(145)
<b>Balance as at December 31, 2019</b>	<b>\$ 276,406</b>	<b>\$ 190,736</b>	<b>\$ 467,142</b>	<b>\$ 4,306</b>	<b>\$ 471,448</b>
Loss and total comprehensive loss for the year	-	(14,908)	(14,908)	(29)	(14,937)
Transactions with unitholders, recorded directly in equity:					
- Issuance of units under the RU plan (note 21)	143	-	143	-	143
- Repurchase of units under normal course issuer bid (Note 21)	(1,096)	(362)	(1,458)	-	(1,458)
- Distributions to unitholders (Note 23)	-	(28,512)	(28,512)	-	(28,512)
- Contributions to non-controlling interests	-	-	-	218	218
<b>Balance as at December 31, 2020</b>	<b>\$ 275,453</b>	<b>\$ 146,954</b>	<b>\$ 422,407</b>	<b>\$ 4,495</b>	<b>\$ 426,902</b>

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



# Plaza Retail REIT

## Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

2020

2019

### Cash obtained from (used for):

#### Operating activities

Profit (loss) and total comprehensive income (loss) for the year	\$ (14,937)	\$ 51,337
Items not affecting cash:		
Finance costs (Note 20)	29,061	29,518
Share of loss (profit) of associates	1,305	(1,229)
Net change in fair value of investment properties	46,891	(18,748)
Net change in fair value of convertible debentures	(3,429)	4,294
Net change in fair value of Class B exchangeable LP units	(1,144)	822
Net change in fair value of interest rate swaps (Note 11 and 28)	3,386	392
Net change in fair value of right-of-use land lease assets	693	663
Current and deferred income taxes	1,013	554
Issuance of units under the DRIP and RU plan	143	273
Straight-line rent (Note 17)	(402)	(78)
Interest paid	(24,764)	(26,134)
Imputed interest paid on land lease liabilities (Note 20)	(2,245)	(2,254)
Income taxes paid	(537)	(348)
Distributions from equity accounted investments (Note 5)	1,739	1,676
Leasing commissions paid	(478)	(232)
Change in non-cash working capital (Note 24)	(4,573)	2,146
	<b>31,722</b>	<b>42,652</b>

#### Financing activities

Cash distributions paid to unitholders (Note 23)	(28,512)	(28,686)
Cash distributions paid to Class B exchangeable LP unitholders (Note 20)	(334)	(334)
Repurchase of units under normal course issuer bid (Note 21)	(1,458)	(3,033)
Gross mortgage proceeds	73,489	139,949
Fees incurred for placement of mortgages	(320)	(1,059)
Loan defeasance expenses and early mortgage discharge fees paid (Note 20)	(225)	(134)
Mortgages repaid	(53,394)	(92,953)
Periodic mortgage principal repayments	(10,762)	(10,795)
Land lease principal repayments	(693)	(663)
Gross proceeds from mortgage bonds	3,395	-
Fees incurred for placement of mortgage bonds	(34)	-
Redemption of mortgage bonds and debentures	(4,195)	(6,000)
Distribution from equity accounted investments (Note 5)	2,624	3,952
Increase (decrease) in notes payable	(220)	115
	<b>(20,639)</b>	<b>359</b>

#### Investing activities

Acquisitions of investment properties and land (Note 4)	(8,727)	(12,650)
Investment properties – additions	(27,665)	(26,541)
Net proceeds from disposal of investment properties and land (Note 4(e))	9,901	16,265
Net proceeds from asset previously held for sale (Note 4(e))	609	-
Advances to equity accounted investments for developments (Note 5)	(3,483)	(8,910)
Contributions to/(distributions from) subsidiaries from/to non-controlling interests	218	(145)
Decrease (increase) in deposits for acquisitions and financings (Note 7)	2,441	(1,907)
Decrease (increase) in notes and advances receivable	(1,168)	10,623
Issuance of tenant loans	-	(40)
Repayment of tenant loans	108	108
	<b>(27,766)</b>	<b>(23,197)</b>

#### Net increase (decrease) in cash

Cash less bank indebtedness, beginning of the year	(16,683)	19,814
Cash less bank indebtedness, end of the year	(8,494)	(28,308)
	<b>\$ (25,177)</b>	<b>\$ (8,494)</b>

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

# Plaza Retail REIT

## Notes to the Consolidated Financial Statements

December 31, 2020

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

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### 1. Reporting Entity

Plaza Retail REIT (the “Trust” or “Plaza”) is an unincorporated “open-ended” real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 and amended as of March 26, 2020 (the “Declaration of Trust”) and is governed by the laws of the Province of Ontario. The address of the Trust’s head office is 98 Main Street, Fredericton, New Brunswick. The Trust operates a retail real estate ownership and development business in Canada. Management does not distinguish or group its operations by geography or any other basis when measuring its performance or making decisions. Accordingly, the Trust has a single reportable segment for disclosure purposes.

### 2. Basis of Preparation

#### (a) Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Trustees of the Trust on February 25, 2021.

#### (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;
- Unit-based payments;
- Convertible debentures;
- Investment properties;
- Investment properties included in investments; and
- Exchangeable LP units.

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

#### (c) Use of Estimates and Judgments

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

##### (i) Investment 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 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’s internal valuation team or by external independent appraisers. The valuations are based on a number of significant assumptions, such as capitalization rates, future stabilized net operating income and capital expenditures. The determination of future stabilized net operating income involves assumptions regarding future rental income and operating expenses. These investment properties are sensitive to fluctuations in capitalization rates.

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

December 31, 2020

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

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### 3. Summary of Significant Accounting Policies

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

#### (a) General and Consolidation

The consolidated financial statements comprise the financial statements of the Trust and the entities that it controls. All intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated in full.

##### (i) Subsidiaries

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

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

##### (ii) Associates and joint ventures

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

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

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

##### (iii) Joint operations

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

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

#### (b) Investment Properties

Investment properties are held to earn rental income or for capital appreciation, or both, but not for sale in the ordinary course of business. As such, investment properties are measured at fair value, under IAS 40, Investment Property ("IAS 40") using valuations prepared by either the Trust's internal valuation team or external independent appraisers. 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.

Management undertakes a review of the fair value of its investment properties at each reporting period to assess the continuing validity of the underlying assumptions, such as future stabilized net operating income and capitalization rates. Where increases or decreases are warranted, the Trust adjusts the fair values of its investment properties. Related fair value gains and losses are recorded in profit or loss in the period in which they arise.

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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#### (c) Properties Under Development

Properties under development for future use as investment property are accounted for as investment property under IAS 40. Development properties consist of properties under construction, which are recorded at fair value less costs to complete.

#### (d) Surplus lands

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

#### (e) Assets and Liabilities Held for Sale

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.

Liabilities that are assumed by the buyer on disposition of the non-current asset, are also classified as held for sale. Non-current assets and non-current liabilities held for sale are classified separately from other assets and other liabilities in the consolidated statement of financial position. These amounts are not offset or presented as a single amount.

#### (f) 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.

#### (g) Revenue Recognition

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

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

#### Fee Income

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

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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Trust is the leasing manager for co-owned properties and are recognized when earned in accordance with the property management or co-ownership agreements.

#### Lease buyout revenue

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

#### Government grants

Government grants are recognized in net income during the period when there is reasonable assurance that the grants will be received and that the Trust will comply with the terms of the respective grant. Government grants are presented separately as either income or as a reduction of the related costs for which the grants are intended to compensate.

#### (h) *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. The Trust qualified as a real estate investment trust throughout 2020 and the 2019 comparative year.

#### (i) *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.

#### (j) *Unit-based Payments*

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

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

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

#### (k) *Investments*

Investments consist of the Trust's associates and joint ventures accounted for using the equity method. For investments in entities not accounted for using the equity method, amounts received or receivable in accordance with the income distribution formula of the entity, if not capital or financing receipts, are included in income. For investments in entities accounted for using the equity method, amounts received are accounted for as a reduction of the investments and the proportionate share of the net income or loss from the investments are recorded in profit or loss for the period under share of profit of associates, and as an increase or decrease to the investments.

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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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.

#### (l) Financial Instruments

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

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

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

- the financial asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is to both hold assets to collect contractual cash flows and to sell assets prior to maturity; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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

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

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

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

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

#### (m) *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.

#### (n) *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.

#### (o) *Finance Costs*

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

#### (p) *Accounting Standards Implemented in 2020*

On January 1, 2020, the Trust implemented amendments and revisions for hedge accounting in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, the Conceptual Framework, the definition of Material in IAS 1 and IAS 8, and the definition of a Business in IFRS 3 Business Combinations. The impacts on implementation are described below.

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

December 31, 2020

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#### (i) Hedge Accounting

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

#### (ii) Conceptual Framework

On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. Some Standards include references to the 1989 and 2010 versions of the Framework. The IASB has published a separate document which contains consequential amendments to affected Standards so that they refer to the new Framework, with the exception of IFRS 3 Business Combinations which continues to refer to both the 1989 and 2010 Frameworks. Both documents are effective from January 1, 2020. The revisions did not have an impact on the consolidated financial statements.

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

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

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

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

#### (q) *Future Changes in Accounting Policies*

##### (i) COVID-19 Related Rent Concessions (Amendment to IFRS 16)

On May 28, 2020, the IASB issued COVID-19 Related Rent Concessions (Amendment to IFRS 16). The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19 related rent concessions that reduce lease payments due on or before June 30, 2021. The amendments are effective for annual periods beginning on or after June 1, 2020. Early adoption is permitted. The Trust has treated rent concessions as lease modifications.



# Plaza Retail REIT

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### 4. Investment Properties

	December 31, 2020				December 31, 2019			
	Income producing properties	Properties under development	Right-of-use land lease assets <sup>(2)</sup>	Total	Income producing properties	Properties under development	Right-of-use land lease assets	Total
Balance, beginning of the year:	\$ 991,326	\$ 35,447	\$ 59,907	\$ 1,086,680	\$ 935,779	\$ 52,861	\$ -	\$ 988,640
Right-of-use land lease assets (Note 4 (f))	-	-	-	-	-	-	60,570	60,570
Additions (deductions):								
Additions to investment properties	5,759	20,358	7,532	33,649	5,788	21,872	-	27,660
Acquisitions of investment properties and land	8,727	-	-	8,727	12,650	-	-	12,650
Disposals <sup>(1)</sup>	(17,498)	-	-	(17,498)	(20,377)	-	-	(20,377)
Transfers	36,714	(36,714)	-	-	38,377	(38,377)	-	-
Straight line rent receivable change	257	33	-	290	(25)	86	-	61
Change in investment properties held for sale (Note 4(g))	(3,128)	-	-	(3,128)	(609)	-	-	(609)
Change in fair value – income producing and under development	(49,727)	2,836	-	(46,891)	19,743	(995)	-	18,748
Change in fair value – right-of-use land lease assets	-	-	(693)	(693)	-	-	(663)	(663)
Balance, end of the year:	\$ 972,430	\$ 21,960	\$ 66,746	\$ 1,061,136	\$ 991,326	\$ 35,447	\$ 59,907	\$ 1,086,680

<sup>(1)</sup> Cash received in the current year from disposals as per the statement of cash flows of \$9.9 million is net of mortgages assumed by the purchasers of \$7.6 million. Cash received in the prior year from disposals as per the December 31, 2019 statement of cash flows of \$16.3 million is net of notes and advances receivable of \$4.1 million assumed by the purchasers.

<sup>(2)</sup> The IFRS 16, *Leases* standard was effective January 1, 2019 and was applied prospectively.

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

Fair value disclosure:

Investment properties (including those owned through equity accounted joint ventures) are measured at fair value using either an internal approach or external appraisals.

#### Income Producing Properties

##### (i) Internal approach – direct capitalization income approach

Income producing properties are valued using the direct capitalization method. Under this method, fair value is estimated by applying capitalization rates to future stabilized net operating income (property revenue less property operating expenses), with the resulting value reduced by any costs required to achieve stabilization. Stabilized net operating income adjusts net operating income for things like market property management fees, or in the case of development properties, to reflect full intended occupancy (less a normal vacancy allowance). The key assumption is the capitalization rate for each specific property. The Trust utilizes quarterly capitalization rate matrices provided by an external 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 generally 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.

## Plaza Retail REIT

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#### (ii) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuers in preparing their reports and holds discussions with them on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations.

#### Properties Under Development

Properties under development are valued using a combination of the internal approach, as noted above, and external appraisals. The resulting values are reduced by future cash outlays for costs to complete the development and achieve stabilization, including construction, development, lease-up and related costs.

Of the total fair value in the chart above, \$96.8 million of investment properties were based on external appraisals obtained during the year (year ending December 31, 2019 - \$290 million).

As at December 31, 2020 the Trust has utilized the following range of capitalization rates:

	Number of Properties <sup>(1)</sup>	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	73	6.59%	5.50% - 9.00%	6.00% - 9.50%
Quick Service Restaurant	83	7.02%	5.75% - 9.75%	6.25% - 11.50%
Anchored Open-Air Centre – Class A	15	6.85%	6.50% - 9.00%	6.50% - 9.75%
Anchored Open-Air Centre – Class B	40	7.21%	6.50% - 9.25%	7.00% - 10.75%
Unanchored Open-Air Centre	33	7.94%	6.25% - 10.00%	6.75% - 11.50%
Enclosed Malls – Community	3	10.00%	8.50% - 10.00%	8.25% - 11.50%
	247	7.19%		

<sup>(1)</sup> Excludes certain properties under development and non-consolidated trusts and partnerships.

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

Quick Service Restaurant – defined as freestanding retail quick-service restaurant.

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

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

Unanchored Open-Air Centre - defined as an unanchored retail open-air centre less than 75,000 square feet.

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

At December 31, 2020 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 \$24.2 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$21.7 million.

The Trust reviewed its future NOI, cash flow projections and valuation of investment properties in light of COVID-19 during 2020. Although the fair value of investment properties reflects the Trust's best estimates as at December 31, 2020, Plaza is continuing to review its future NOI and cash flow projections. Depending on the duration and full impacts of COVID-19, certain aspects of Plaza's operations could be further affected, including rental and occupancy rates, consumer demand and demand for retail space, capitalization rates, tenants' ability to pay rent in full or at all, tenant inducements, temporary or long-

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term labour or supply chain disruptions and the impact on construction costs and development projects, and the resulting value of Plaza's properties.

As at December 31, 2019 the Trust utilized the following range of capitalization rates:

	Number of Properties <sup>(1)</sup>	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	73	6.57%	5.50% - 9.00%	6.00% - 9.50%
Quick Service Restaurant	92	6.64%	5.50% - 9.50%	6.00% - 11.50%
Anchored Open-Air Centre – Class A	14	7.06%	6.25% - 8.75%	6.25% - 9.50%
Anchored Open-Air Centre – Class B	36	7.14%	6.00% - 9.00%	6.75% - 10.50%
Unanchored Open-Air Centre	37	7.76%	5.75% - 9.50%	6.25% - 11.50%
Enclosed Malls – Community	3	7.77%	8.00% - 10.00%	7.75% - 11.50%
	255	7.07%		

<sup>(1)</sup> Excludes certain properties under development and non-consolidated trusts and partnerships.

### (a) Straight-line Rent

Included in investment properties at December 31, 2020 is \$12.2 million (December 31, 2019 - \$12.0 million) of straight-line rents receivable arising from the recognition of rental revenue on a straight-line basis over the lease terms in accordance with IFRS 16, *Leases*. During the year ended December 31, 2020, as a result of the landlord's write-off of 25% of rent for eligible tenants under the Canada Emergency Commercial Rent Assistance ("CECRA") program and abatements granted to tenants, straight line rent increased by \$773 thousand.

### (b) Surplus Land

Included in investment properties at December 31, 2020 is \$1.2 million of surplus lands at fair value (December 31, 2019 - \$2.3 million).

### (c) Borrowing Costs

The total amount of borrowing costs capitalized for the year ended December 31, 2020 is \$380 thousand (for the year ended December 31, 2019 - \$640 thousand).

### (d) Acquisitions of Investment Properties and Land

Properties Acquired	% Acquired	Year ending December 31, 2020 <sup>(1)</sup>	Year ending December 31, 2019
Northern Avenue Plaza, Sault Ste. Marie, ON	50%	\$ 8,727	\$ -
Tri-City Centre, Cambridge, ON	50%	-	12,650
Total acquisitions		\$ 8,727	\$ 12,650

<sup>(1)</sup> Including closing costs

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### (e) Disposals

Properties Disposed	% Disposed	Net Proceeds Year Ending December 31, 2020	Net Proceeds Year Ending December 31, 2019
Quick Service Restaurants and non-core Assets – Arnprior, ON, Cambridge, ON, Hamilton, ON, Thunder Bay, ON, Toronto, ON, Windsor, ON, Neufchatel, QC, and Shawinigan, QC.	100%	\$ 5,894	\$ -
Quispamsis Town Centre, Quispamsis, NB <sup>(2)</sup>	50%	-	2,245
Quick Service Restaurants and Single Tenant Assets - Coldbrook, NS, Halifax, NS, London, ON, Ottawa, ON, Paris, ON, Laval, QC, Longueuil, QC, and Montreal, QC	100%	-	6,645
Winnipeg, MB portfolio – five properties	100%	-	6,900
Land – Sherbrooke, QC	50%	-	475
Five single-use properties located in Calgary, AB, New Glasgow, NS, Antigonish, NS and Montreal, QC <sup>(1)</sup>	50%	4,616	-
Total disposals		\$ 10,510	\$ 16,265

<sup>(1)</sup> The Trust sold a 50% co-ownership interest in five properties for net proceeds of \$12.3 million, \$4.6 million after assumption of long-term financing on the properties.

<sup>(2)</sup> The Trust sold a 50% co-ownership interest in a property located in Quispamsis, NB for net proceeds of \$6.4 million, \$2.2 million after assumption of notes and advances and receivables for the purchaser's 50% interest of the existing line of credit on the property.

### (f) Right-of-use land lease assets

Effective January 1, 2019, the Trust implemented the new IFRS 16, *Leases* standard. This standard required lessees to bring most leases on their statement of financial position. The Trust has investment properties located on land which is leased. A right-of-use asset has been recorded effective January 1, 2019 to recognize these assets. The Trust has 27 long-term land leases (affecting 26 properties). Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 34 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 60 years including these non-automatic renewal options.

### (g) Investment properties held for sale

The Trust has segregated three investment properties as held for sale of \$3.1 million for properties located in Chicoutimi, QC, Longueuil, QC and in Montreal, QC (December 31, 2019 - \$609 thousand). The sales are expected to close in the first quarter of 2021.

## 5. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	December 31, 2020	December 31, 2019
<b>Equity Accounted Investments</b>					
Centennial Plaza Limited Partnership	10%	10%	20%	\$ 13,430	\$ 12,237
Trois Rivières Limited Partnership	15%	10%	30%	2,705	2,825
VGH Limited Partnership	20%	8%	27%	1,038	1,912
Plazacorp Ontario1 Limited Partnership	25%	8%	25%	2,275	2,179
Plazacorp Ontario2 Limited Partnership	50%	-	-	3,911	3,972
Plazacorp Ontario3 Limited Partnership	50%	-	-	2,301	2,139
Plazacorp Ontario4 Limited Partnership	50%	-	-	2,452	1,613
RBEG Limited Partnership	50%	-	-	2,407	2,387
CPRDL Limited Partnership	50%	-	-	2,321	2,224
Fundy Retail Ltd.	50%	-	-	532	556
Ste. Hyacinthe Limited Partnership	25%	-	-	210	224
144 Denison East Limited Partnership	25%	-	-	490	440
The Shoppes at Galway Limited Partnership	50%	-	-	12,867	16,416
Total investments				\$ 46,939	\$ 49,124

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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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 with the remaining distributed as a residual return, as outlined above.

For the year ended December 31, 2020 the Trust received \$1.7 million of distributions (for the year ended December 31, 2019 - \$1.7 million) from equity accounted investments, and an additional \$2.6 million in distributions relating to proceeds from financing (for the year ended December 31, 2019 - \$3.9 million). For the year ended December 31, 2020 the Trust made \$3.5 million in contributions to its equity accounted investments (for the year ended December 31, 2019 - \$8.9 million).

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

	December 31, 2020	December 31, 2019
<b>Equity Accounted Investments</b>		
Cash	\$ 5,071	\$ 4,714
Current assets	\$ 1,416	\$ 2,507
Long term assets	\$ 315,820	\$ 315,243
Current liabilities	\$ 3,781	\$ 4,273
Long term liabilities	\$ 165,075	\$ 157,789
Revenues	\$ 25,307	\$ 22,766
Expenses	\$ (15,007)	\$ (13,215)
Fair value gain (loss)	\$ (10,940)	\$ 2,336
Profit	\$ (640)	\$ 11,887

## 6. Receivables

Receivables consist of the following:

	December 31, 2020	December 31, 2019
Tenant accounts receivable, net of allowance	\$ 3,793	\$ 1,249
Excise tax	900	667
CEWS government receivable	976	-
Holdback receivable	649	949
Other receivables	1,424	1,420
Income tax receivable	364	-
Total receivables	\$ 8,106	\$ 4,285

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis using an expected credit loss model taking into consideration lease terms, industry conditions and status of the tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. The allowance for doubtful accounts balance at December 31, 2020 is \$1.0 million (December 31, 2019 - \$358 thousand). This amount is deducted from tenant accounts receivable. The uncertainty caused by COVID-19 may impact the allowance for doubtful accounts in future periods.

The Government of Canada introduced the Canadian Emergency Wage Subsidy ("CEWS") program in 2020 which provides a subsidy for Canadian employers who have seen a drop in revenue during the COVID-19 pandemic. The Trust qualified and has recorded a CEWS government receivable. \$531 thousand of the subsidy was recorded to reduce operating expenses, \$291 thousand was recorded to reduce administrative expenses, and \$86 thousand was recorded to reduce capitalized salaries. The CEWS receivable was received subsequent to year end.

# Plaza Retail REIT

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### 7. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2020	December 31, 2019
Prepaid expenses	\$ 2,281	\$ 2,224
Deposits for acquisitions and financings	1,211	3,159
Total prepaid expenses and deposits	\$ 3,492	\$ 5,383

### 8. Notes and Advances Receivable

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

### 9. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	December 31, 2020	December 31, 2019
Convertible				
Series E <sup>(1)</sup>	March 31, 2023	5.10%	\$ 45,667	\$ 48,739
Series VII	June 30, 2021	5.50%	5,316	5,673
Total convertible debentures			50,983	54,412
Non-convertible <sup>(2) (3)</sup>	Various (see below)	5.00%	9,824	9,778
Net debentures payable			60,807	64,190
Less: current portion of debentures payable			(9,176)	-
Total debentures payable – long-term portion			\$ 51,631	\$ 64,190

<sup>(1)</sup> Recorded at fair value based on closing market trading prices of the debentures; the fair value change of the total convertible debentures during 2020 was a gain of \$3.4 million (for the year ended December 31, 2019 – loss of \$4.3 million)

<sup>(2)</sup> Recorded at amortized cost

<sup>(3)</sup> Net of unamortized finance charges of \$36 thousand (December 31, 2019 - \$82 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

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

Non-convertible debenture maturities are as follows:

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

# Plaza Retail REIT

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### 10. Mortgage Bonds Payable

Mortgage bonds payable are secured by various properties:

	December 31, 2020				December 31, 2019
	Series X.1	Series X.2	Series XII	Total	Total
Various properties, 1 <sup>st</sup> mortgage	\$ 2,005	\$ 3,195	\$ -	\$ 5,200	\$ 6,000
Various properties, 1 <sup>st</sup> mortgage	-	-	3,000	3,000	3,000
Gross mortgage bonds payable	2,005	3,195	3,000	8,200	9,000
Less: unamortized finance charges				(57)	(63)
Net mortgage bonds payable				8,143	8,937
Less: current portion of mortgage bonds payable				(1,997)	(5,987)
Net mortgage bonds payable – long-term portion				\$ 6,146	\$ 2,950

	Series X.1	Series X.2	Series XII
Interest Rate	6.00%	6.15%	5.50%
Maturity Date	March 25, 2021	June 25, 2022	July 15, 2022
Amount	\$2,005	\$3,195	\$3,000

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

On June 25, 2020, \$6.0 million of Series X mortgage bonds matured and \$5.2 million of these bonds were extended or issued. Of the \$5.2 million, \$2.0 million of these bonds were extended to March 25, 2021 at an interest rate of 6.0% and \$3.2 million of these bonds were extended to June 25, 2022 at an interest rate of 6.15%.

# Plaza Retail REIT

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### 11. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	December 31, 2020	December 31, 2019
Secured fixed rate loans:	2.09% - 7.00%	4.26%	Up to June 2034	\$ 465,441	\$ 473,135
Unsecured interest-only fixed rate loans:	5.00%	5.00%	Up to May 2024	10,443	7,443
Fair value of interest rate swap				3,739	354
Revaluation of loans upon acquisitions, net of amortization of \$6,329 (December 31, 2019 - \$6,164)				444	609
Less: unamortized finance charges				(2,236)	(2,638)
Total net fixed rate loans				477,831	478,903
Variable rate loans:					
- \$20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2021	10,900	-
- \$15 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2021	6,477	8,924
- \$6.6 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.75%		November 30, 2020	-	6,560
- \$1.2 million unsecured interest-only loan	Prime plus 1.05% (min. 5.00% rate)		January 15, 2024	1,171	1,171
- \$10.08 million secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.25%		April 24, 2021	8,855	8,855
- \$5.6 million interim facility	Prime plus 1.00% or BA plus 2.50%		August 13, 2022	5,558	-
Less: unamortized finance charges				(47)	(60)
Total net variable rate loans				32,914	25,450
Net mortgages payable				510,745	504,353
Less: mortgages payable for investment properties held for sale				(709)	-
Less: mortgages payable – current portion				(104,369)	(90,228)
Total mortgages payable – long-term portion				\$ 405,667	\$ 414,125

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

To fund development activities the Trust has two revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a \$20.0 million one-year revolving facility that bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.25%, and the other is a \$15.0 million two-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.25%. At December 31, 2020 there is \$17.6 million available on these development facilities (December 31, 2019 - \$26.1 million). Funding is secured by first mortgage charges on development properties. The Trust must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt coverage, interest coverage and occupancy covenants, as well as unitholder equity tests. As of December 31, 2020 the Trust is in compliance with all financial covenants.

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



## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

December 31, 2020

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#### 12. Bank Indebtedness

The Trust has a \$46.0 million (December 31, 2019 - \$44.0 million) revolving operating line of credit facility with a Canadian chartered bank at the rate of prime plus 0.75% or BA plus 2.25%. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at December 31, 2020, the available limit was \$46.0 million of which \$33.5 million (December 31, 2019 - \$17.3 million) was drawn and therefore the maximum amount available to be drawn on the facility was \$10.0 million (December 31, 2019 - \$26.2 million), net of letters of credit outstanding of \$503 thousand (December 31, 2019 - \$503 thousand). As security, at December 31, 2020, the Trust has provided a \$50.0 million demand debenture secured by a first mortgage over forty-two properties.

#### 13. Land Lease Liabilities

Effective January 1, 2019, the Trust implemented the new IFRS 16, *Leases* standard. This standard required lessees to bring most leases on their statement of financial position. The Trust has investment properties located on land which is leased. A liability has been recorded effective January 1, 2019 to recognize these assets. IFRS 16 has been implemented prospectively and therefore prior year comparatives have not been restated. The Trust has 27 long-term land leases (affecting 26 properties). Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 34 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 60 years including these non-automatic renewal options.

#### 14. Accounts Payable, Accrued Liabilities, Tenant Payables and Tenant Deposits

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

	December 31, 2020	December 31, 2019
Accounts payable and accrued liabilities	\$ 7,010	\$ 9,749
Tenant CAM and tax accrual	1,614	1,286
Distributions payable	2,403	2,412
Excise tax payable	1,003	1,328
Accrued interest payable	2,282	2,374
Deferred tenant revenue and deposits	3,873	4,125
Other	496	373
Total accounts payable, accrued liabilities, tenant payables and tenant deposits	\$ 18,681	\$ 21,647

#### 15. Notes Payable

Notes payable consist of the following:

	Interest Rate	December 31, 2020	December 31, 2019
<b>Non-interest bearing notes:</b>			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Trustee of the Trust <sup>(1)</sup>	n/a	\$ 261	\$ 261
Unrelated parties and non-controlling interests	n/a	975	1,195
Total notes payable		\$ 1,236	\$ 1,456

<sup>(1)</sup> The notes are repayable on sale or refinancing of the related asset

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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#### 16. Income Taxes

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

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

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

	December 31, 2020	December 31, 2019
<u>Deferred income tax assets</u>		
Tax loss carry-forwards of subsidiaries	\$ 335	\$ 364
<u>Deferred income tax liabilities</u>		
Income producing properties	8,116	7,247
Net deferred income tax liability	\$ 7,781	\$ 6,883

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*).

	2020	2019
Cash distributions declared	\$ 28,512	\$ 28,686
Required cash distributions to ensure no Part I tax	9,026	14,616
Total excess over Part I tax	\$ 19,486	\$ 14,070

## Plaza Retail REIT

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#### 17. Revenues

	2020	2019
Contractual revenue	\$ 73,604	\$ 73,910
Straight-line rent	402	78
Property tax and insurance recoveries	20,804	20,513
Cost recovery revenue	11,188	11,726
Lease buyout revenue	722	5,963
Other revenue	178	271
Total property revenues	\$ 106,898	\$ 112,461

The Government of Canada introduced the Canadian Emergency Commercial Rent Assistance (“CECRA”) program in May 2020 which provides relief for eligible small businesses experiencing financial hardship due to COVID-19. Under the CECRA program, the Trust must abate 75% of gross rents due for April to September for CECRA eligible tenants. In exchange of the abatements granted, the Trust is eligible for forgivable interest free loans from the Government of Canada amounting to 50% of gross rents abated during the eligible timeframe, for a net abatement of 25%. The Trust believes it has met all the criteria under the CECRA program for the loans to be forgiven. During the year ended December 31, 2020 the Trust has received \$1.6 million in government assistance through the CECRA program from the federal government and \$155 thousand from the Quebec provincial government.

#### 18. Operating Expenses

	2020	2019
Property taxes and insurance	\$ 22,767	\$ 22,338
Recoverable expenses	12,835	15,054
Non-recoverable expenses <sup>(1)</sup>	2,546	2,342
Total operating expenses	\$ 38,148	\$ 39,734

<sup>(1)</sup> Non-recoverable expenses include bad debt expense of \$1.0 million for the year ended December 31, 2020 (for year ended December 31, 2019 - \$416 thousand).

The Government of Canada introduced the Canadian Emergency Wage Subsidy (“CEWS”) program in 2020 which provides a subsidy for Canadian employers who have seen a drop in revenue during the COVID-19 pandemic. The Trust qualified for the subsidy which has resulted in a reduction of operating expenses by \$531 thousand for the year ended December 31, 2020.

#### 19. Administrative Expenses

	2020	2019
Salaries and benefits	\$ 5,936	\$ 7,030
Professional services	1,039	1,272
Office expenses	1,802	1,603
Total administrative expenses	\$ 8,777	\$ 9,905

Total employee salaries and benefits recorded by the Trust during the year were \$11.4 million, of which \$4.1 million is included in operating expenses, \$5.9 million is included in administrative expenses and \$1.4 million has been capitalized to investment properties (for the year ended December 31, 2019 – \$13.4 million, of which \$4.9 million is in operating expenses, \$7.0 million is in administrative expenses and \$1.5 million is in investment properties).

The Government of Canada introduced the Canadian Emergency Wage Subsidy (“CEWS”) program in 2020 which provides a subsidy for Canadian employers who have seen a drop in revenue during the COVID-19 pandemic. The Trust qualified for the subsidy which has resulted in a reduction of administrative expenses by \$291 thousand for the year ended December 31, 2020.

# Plaza Retail REIT

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### 20. Finance Costs

	2020	2019
Mortgage interest	\$ 20,997	\$ 21,461
Debenture interest	3,205	3,204
Mortgage bond interest	448	646
Distributions paid to Class B exchangeable LP unitholders	334	334
Operating line of credit interest	1,081	1,235
Interest and bank charges	340	274
Amortization of finance charges	731	758
Loan defeasance and early mortgage discharge fees	225	134
Imputed interest on land lease liabilities	2,245	2,254
Mark to market amortization	(165)	(142)
Capitalization of interest	(380)	(640)
Total finance costs	\$ 29,061	\$ 29,518

### 21. Unitholders' Equity

#### (a) Authorized

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

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

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

#### (b) Issued and Outstanding

##### (i) Class B Exchangeable LP Units

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

	December 31, 2020		December 31, 2019	
	Units (000s)	Amount	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the year	1,191	\$ 5,444	1,191	\$ 4,622
Fair value adjustment for the year	-	(1,144)	-	822
Exchangeable LP units outstanding, end of the year	1,191	\$ 4,300	1,191	\$ 5,444

## Plaza Retail REIT

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#### (ii) Special Voting Units

At December 31, 2020, there were 1,191,000 (December 31, 2019 - 1,191,000) special voting units outstanding, issued in connection with 1,191,000 (December 31, 2019 - 1,191,000) Class B exchangeable LP units of a subsidiary of the Trust (see above).

#### (iii) Units

	December 31, 2020		December 31, 2019	
	Trust Units (000s)	Amount	Trust Units (000s)	Amount
Units outstanding, beginning of the year	102,171	\$ 276,406	102,824	\$ 278,058
Issuance of units:				
RU plan	41	143	59	273
Repurchase and cancellation of units under normal course issuer bid	(405)	(1,096)	(712)	(1,925)
Units outstanding, end of the year	101,807	\$ 275,453	102,171	\$ 276,406

Unitholders have the right to redeem their units at the lesser of (i) 90% of the Market Price of the unit (Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price of the previous 10 trading days) and (ii) the most recent Closing Market Price (Closing Market Price is defined for this purpose in the Declaration of Trust as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of \$50 thousand for all redemptions in a calendar month, or a note payable. For the year ended December 31, 2020 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan ("DRIP"), which was suspended until further notice commencing with the payment of the October 2018 distribution, and unitholders enrolled in the DRIP began receiving distribution payments in cash. Prior to its suspension, the DRIP enabled Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the DRIP were issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also received "bonus units" in an amount equal to 3% of the distribution amount reinvested. If the Trust elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of reinstatement, will automatically resume participation in the DRIP.

On September 24, 2020, the Trust announced that it had received approval from the TSX for the renewal of its normal course issuer bid ("NCIB") for a further year. Plaza's prior NCIB expired on September 27, 2020; the period of the renewed NCIB commenced on September 28, 2020 and will conclude on the earlier of the date on which purchases under the bid have been completed and September 27, 2021. Under the terms of the renewed NCIB, the Trust can purchase up to 6,472,223 of its issued and outstanding units through the facilities of the TSX and any alternative trading system in Canada. Subject to certain prescribed exemptions and any block purchase made in accordance with the rules of the TSX, daily purchases made by the Trust may not exceed 44,809 units, representing 25% of the average daily trading volume of the units on the TSX for the six-month period ended August 31, 2020 (being 179,239 units). All units that are purchased under the renewed NCIB will be cancelled (on a monthly basis, on or before the record date for each monthly distribution). Unitholders may obtain a copy of the NCIB renewal notice, without charge, by contacting the Trust.

Plaza also entered into a new automatic securities purchase plan agreement (the "Plan") with its designated broker in order to facilitate purchases of units under the renewed NCIB. The Plan, which was pre-cleared by the TSX, allows for purchases of units by Plaza at times when it would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. The Plan will terminate on September 27, 2021.

For the year ended December 31, 2020, 395,797 units have been repurchased for cancellation under Plaza's prior and renewed NCIB at a weighted average price of \$3.5613. With this, to December 31, 2020, Plaza has purchased a total of 1,117,486 units for cancellation since the commencement of the original NCIB on September 28, 2018 at a weighted average price of \$4.0113.

## Plaza Retail REIT

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#### 22. Restricted Unit Plan and Deferred Unit Plan

The Trust has a Restricted Unit Plan (“RU Plan”) to enable the Trust to reward senior management and employees for their sustained contributions and to assist in attracting, retaining and motivating senior management and employees of the Trust. Restricted Units (“RUs”) may be granted from time to time on a discretionary basis by the Administrator (the Governance and Compensation Committee of the Board of Trustees). Each RU notionally represents a unit in the Trust. Each RU credited to a participant shall receive a distribution of additional RUs equal to the amount of distributions paid per unit by the Trust on its units (“Distribution RUs”). The number of Distribution RUs to be issued for each distribution payment will be equal to the aggregate amount of such distribution payable to a participant on his or her RUs divided by the volume weighted average closing price of units for the five trading days immediately preceding such applicable day. The Distribution RUs are granted immediately following any distribution payment date, vest at the same time as and are redeemed on the same basis as the underlying RUs. The RUs vest as follows: one-third of a given award on the first anniversary of the grant date, one-third on the second anniversary of the grant date and the balance on the third anniversary of the grant date. Upon vesting, the RUs are exchanged for units, net of any applicable withholding taxes. At December 31, 2020, the maximum number of units that may be issued under the RU Plan upon the redemption of RUs and Distribution RUs is 5,629,270. A total of 488,813 RUs have been granted under the RU Plan since inception. For the year ended December 31, 2020, compensation expense of \$200 thousand (for the year ended December 31, 2019 - \$482 thousand) has been recognized in respect of the RUs.

	December 31, 2020	December 31, 2019
Restricted units outstanding, beginning of the year	84,959	195,120
Vested	(56,202)	(106,129)
Forfeited	(5,618)	(4,032)
Restricted units outstanding, end of the year	23,139	84,959

In 2015, the Trust implemented a Deferred Unit Plan (“DU Plan”) for non-employee trustees. Participants may be awarded deferred units (“DUs”) from time to time on a discretionary basis by the Governance and Compensation Committee. Each DU is economically equivalent to one unit, however, under no circumstances shall DUs be considered units nor entitle a participant to any rights as a unitholder, including, without limitation, voting rights or rights on liquidation. On June 18, 2020, Participants resolved to receive 100% of their trustee fees in the form of DUs. Trustee fees include annual Board retainers, 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. At December 31, 2020, the maximum number of units that may be issued under the DU Plan upon the redemption of DUs is 542,868. At December 31, 2020, a total of 215,202 DUs have been granted or issued under the DU Plan and a total of 8,069 DUs have been redeemed for cash under the DU Plan since inception, and for the year ended December 31, 2020 compensation expense of \$125 thousand was recorded (for the year ended December 31, 2019 - \$234 thousand).

	December 31, 2020	December 31, 2019
Deferred units outstanding, beginning of the year	136,359	100,427
Granted	11,461	9,456
Redeemed	(8,069)	-
Trustee fees taken as deferred units	55,012	18,899
Distributions paid on deferred units taken as additional deferred units	12,369	7,577
Deferred units outstanding, end of the year	207,132	136,359

#### 23. Distributions

Distributions are declared monthly at the discretion of the Board.

	2020	2019
Cash distributions paid to unitholders	\$ 28,512	\$ 28,686

# Plaza Retail REIT

## Notes to the Consolidated Financial Statements

December 31, 2020

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

### 24. Additional Cash Flow Information

#### (a) Changes in Non-Cash Working Capital

	2020	2019
Receivables	\$ (3,456)	\$ (887)
Prepaid expenses and deposits	(551)	(86)
Change in construction accruals removed from investing activities	(2,533)	(991)
Accounts payable, accrued liabilities, tenant payables and tenant deposits	1,967	4,110
Total cash from change in non-cash working capital	\$ (4,573)	\$ 2,146

#### (b) Changes in Liabilities Arising from Financing Activities

	December 31, 2020	December 31, 2019
Current and long-term debt <sup>(1) (2)</sup> – beginning of the year	\$ 644,287	\$ 609,569
Redemption/repayment of mortgage bonds and debentures	(4,195)	(6,000)
Periodic mortgage principal repayments	(10,762)	(10,795)
Mortgage interest deferral program	997	-
Land lease addition	7,532	-
Land lease principal repayments	(693)	(663)
Mortgages repaid	(53,394)	(92,953)
Mortgages assumed by purchasers on sale of investment properties	(7,484)	-
Gross mortgage proceeds	73,489	139,949
Gross mortgage bond proceeds	3,395	-
Fees incurred for placement of debt	(354)	(1,059)
Increases (decreases) in notes payable	(220)	115
Non-cash changes in current and long-term debt:		
Net change in fair value of Class B exchangeable LP units	(1,144)	822
Net change in fair value of interest rate swaps	3,386	392
Net change in fair value of convertible debentures	(3,429)	4,294
Amortization of finance charges	731	758
Mark to market amortization	(165)	(142)
Current and long-term debt <sup>(1)</sup> – end of the year	\$ 651,977	\$ 644,287

<sup>(1)</sup> Debt defined for this purpose as mortgage bonds, debentures, mortgages payable, notes payable, Class B exchangeable LP units and land lease liabilities.

<sup>(2)</sup> Opening debt on January 1, 2019 includes the land lease liabilities of \$60.6 million booked under new accounting pronouncements on a prospective basis (see Note 13).

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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#### 25. 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 unsecured debentures of the Trust (stated at face value):

	December 31, 2020	December 31, 2019
Earl Brewer (trustee)	\$ 325	\$ 325
Stephen Johnson (trustee)	200	200
Doug McGregor (Chairman and trustee)	400	-
Total	\$ 925	\$ 525

No other trustee or key management personnel own mortgage bonds or debentures of the Trust at December 31, 2020 (December 31, 2019 - nil).

##### (b) Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. The notes are repayable on sale or refinancing of the related asset.

	December 31, 2020	December 31, 2019
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta.	\$ 261	\$ 261

##### (c) Other Transactions with Related Parties

- (i) TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to the Trust at market rates, with a total annual rent of \$1.2 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value.
- (ii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At December 31, 2020 there is a \$6 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2019 - \$28 thousand). For the twelve months ended December 31, 2020, property management, development, financing and leasing fees of \$70 thousand were earned by a subsidiary of the Trust from this property (for the twelve months ended December 31, 2019 - \$158 thousand).
- (iii) The Montreal office of Plaza Group Management Limited (a wholly-owned subsidiary of the Trust) shares office space with a company indirectly owned by Michael Zakuta in an office building owned by that related party. The Trust pays no rent for the space.
- (iv) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At December 31, 2020 there is \$7.2 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2019 - \$5.9 million). As well, there is a \$49 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2019 - \$13 thousand). For the twelve months ended December 31, 2020, property management, leasing, development and financing fees of \$289 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2019 - \$181 thousand).
- (v) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For



## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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the twelve months ended December 31, 2020, property management fees of \$5 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2019 - \$5 thousand).

- (vi) Earl Brewer, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At December 31, 2020 there is a \$5 thousand accounts receivable balance owing to the Trust for property management, development and leasing fees (December 31, 2019 - \$9 thousand). For the twelve months ended December 31, 2020, property management, leasing and development fees of \$75 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2019 - \$144 thousand).
- (vii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2020, property management fees of \$36 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2019 - \$32 thousand).
- (viii) Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At December 31, 2020 there is a \$16 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2019 - \$16 thousand). For the twelve months ended December 31, 2020, property management, leasing and development fees of \$160 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2019 - \$239 thousand).
- (ix) Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following five properties: 5628 4<sup>th</sup> Street NW, Calgary, AB, 303 Main St., Antigonish, NS, 912 East River Rd, New Glasgow, NS, 1 Mont-Royal Ave E, and 8222 Maurice-Duplessis Blvd., Montreal, QC. A subsidiary of the Trust manages the properties. At December 31, 2020 there is a \$2 thousand accounts receivable balance owing to the Trust for property management fees. From August 28, 2020 to December 31, 2020, property management fees of \$11 thousand were earned by a subsidiary of the Trust from these properties.

#### *(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, 2020 and 2019 was as follows:

	2020	2019
Salaries and benefits	\$ 1,995	\$ 2,494
Share-based payments – including DUs and RUs	193	301
Total key management personnel compensation	\$ 2,188	\$ 2,795

During the prior year ended December 31, 2019 a retiring allowance of \$678 thousand was recorded.

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

December 31, 2020

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#### (e) Significant Subsidiaries

	Ownership Interest	
	December 31, 2020	December 31, 2019
Plaza Master Limited Partnership	100%	100%
LeMarchant Property Holdings Inc.	100%	100%
Plaza Retail Limited Partnership #1	100%	100%
Bedford Commons 2 Property Holdings Inc.	100%	100%
Plaza Group Management Limited	100%	100%
Stavanger Torbay Limited Partnership	90%	90%
Spring Park Plaza Inc.	100%	100%
Granville Street Properties Limited Partnership	90%	90%
Wildan Properties Limited Partnership	90%	90%
Exhibition Plaza Inc.	90%	90%
Scott's Real Estate Limited Partnership	100%	100%
Scott's Acquisition Inc.	100%	100%
Riverside Emerald (Timmins) Limited Partnership	80%	80%
Plaza Tacoma Limited Partnership	100%	100%
Plazacorp Shediak Limited Partnership	100%	100%
Northwest Plaza Commercial Trust	100%	100%

#### 26. 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, 2020	December 31, 2019
Cash	\$ 6,016	\$ 6,214
Current assets	\$ 3,181	\$ 2,195
Long term assets	\$ 266,621	\$ 254,736
Current liabilities	\$ 29,672	\$ 21,526
Long term liabilities	\$ 143,421	\$ 138,023
Revenues	\$ 30,444	\$ 28,426
Expenses	\$ (18,302)	\$ (17,817)
Fair value gain (loss)	\$ (12,444)	\$ 13,064

# Plaza Retail REIT

## Notes to the Consolidated Financial Statements

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

	Ownership Interest	
	December 31, 2020	December 31, 2019
<b>Accounting Method – Proportionate Consolidation</b>		
5628 – 4 <sup>th</sup> St NW, Calgary, AB	50%	-
Les Galeries Montmagny and Plaza Tache, QC	50%	50%
Bureau en Gross, QC	50%	50%
Plaza SP Magog, QC	50%	50%
Carrefour des Seigneurs, QC	25%	25%
Galeries des Cantons, QC	50%	50%
Plaza BDP Deux Montagnes, QC	37.5%	37.5%
Plaza Jean XXIII, QC	50%	50%
Plaza BBRF, QC	50%	50%
Plaza TS Magog, QC	50%	50%
Plaza De L'Ouest, QC	50%	50%
Plaza HDB, QC	33%	33%
SBT Chicoutimi, QC	50%	50%
4999 Queen Mary Road, QC	25%	25%
600 JP Perrault, QC	50%	50%
1 Mont-Royal Ave East, Montreal, QC	50%	-
8222 Maurice-Duplessis Blvd, Montreal, 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%
Pleasant Street Plaza, NS	50%	50%
Starrs Road Plaza, NS	50%	50%
Welton Street Plaza, NS	50%	50%
East River Plaza, New Glasgow, NS	50%	-
303 Main St, Antigonish, NS	50%	-
Scott Street Plaza, ON	50%	50%
St. Josephs Boulevard, ON	50%	50%
Civic Centre Road, ON	50%	50%
Ontario Street Port Hope, ON	50%	50%
Dufferin and Wilson, ON	50%	50%
615 King Street, ON	50%	50%
Park Street Plaza, ON	20%	20%
Mountainview Plaza, ON	20%	20%
Eastcourt, ON	50%	50%
Timiskaming, ON	50%	50%
6685 Century Ave, ON	50%	50%
1000 Islands Plaza (Brockville), ON	50%	50%
Tri-City Centre, ON	50%	50%
Northern Avenue Plaza, Sault Ste. Marie, ON	50%	-
KGH Plaza, NB	25%	25%
681 Mountain Road, NB	25%	25%
201 Main Street - Sussex, NB	25%	25%
Boulevard Hebert Plaza, NB	50%	50%
Victoria Street Plaza, NB	50%	50%
Connell Road Plaza, NB	50%	50%
Madawaska Road Plaza, NB	50%	50%
Grand Falls Shopping Centre, NB	50%	50%
Northwest Centre, NB	50%	50%
Shediac West Plaza, NB	50%	50%
Quispamsis Town Centre, NB	50%	50%
The Village Shopping Centre, NL	50%	50%

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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#### 27. 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, 2020, there were no letters-of-credit issued and outstanding (December 31, 2019 – 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, 2020, there were no letters-of-credit issued and outstanding (December 31, 2019 – nil).

The \$46.0 million operating line of credit has \$2.0 million available for use in the form of letters-of-credit. At December 31, 2020, letters-of-credit in the amount of \$503 thousand were issued and outstanding (December 31, 2019 - \$503 thousand).

##### (b) Commitments

The Trust's estimated commitments at December 31, 2020 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	After 5 Years	Face Value Total
Mortgages – periodic payments	\$ 11,046	\$ 10,411	\$ 8,978	\$ 8,613	\$ 7,590	\$ 26,589	\$ 73,227
Mortgages – due at maturity	65,892	38,456	26,498	32,501	42,527	186,340	392,214
Development lines of credit	17,377	-	-	-	-	-	17,377
Construction loans	8,855	5,558	-	-	-	-	14,413
Unsecured interest-only loans	1,200	-	5,643	2,971	1,800	-	11,614
Bank indebtedness	33,451	-	-	-	-	-	33,451
Mortgage bonds payable	2,005	6,195	-	-	-	-	8,200
Debentures <sup>(1)</sup>	9,360	6,000	47,250	-	-	-	62,610
Land leases <sup>(2)</sup>	3,252	3,240	3,206	3,243	3,283	121,741	137,965
Development activities	11,236	-	-	-	-	-	11,236
<b>Total contractual obligations</b>	<b>\$ 163,674</b>	<b>\$ 69,860</b>	<b>\$ 91,575</b>	<b>\$ 47,328</b>	<b>\$ 55,200</b>	<b>\$ 334,670</b>	<b>\$ 762,307</b>

<sup>(1)</sup> Stated at face value.

<sup>(2)</sup> Land leases expire on dates ranging from 2022 to 2084 (including automatic renewal periods) with non-automatic renewal options ranging from 5 to 60 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, 2020 a \$4.7 million commitment (December 31, 2019 - \$4.8 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 2.1 years (December 31, 2019 - 3.1 years). As well, at December 31, 2020 a \$5.6 million commitment (December 31, 2019 – \$6.8 million) relating to the mortgages on five assets (December 31, 2019 – six assets) in which the Trust sold a 50% interest in November 2017 is subject to such guarantees by the Trust. These mortgages have a weighted average remaining term of 5.5 years (December 31, 2019 – 5.6 years). The Trust also has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of the underlying properties, where a 50% interest in each was sold in August 2020. 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, 2020 totals \$7.5 million with a weighted average remaining term of 7.0 years.

The Trust guarantees a \$3.9 million commitment relating to the mortgage of an asset sold in 2018, with a weighted average remaining term of 3.6 years at December 31, 2020.

The Trust is contingently liable for certain obligations of its co-venturers, under guarantees in excess of its ownership percentages for six strip plazas and four free-standing properties. The excess guarantees amount to \$14.4 million. Cross indemnities are in place for certain of these properties from co-venturers.

## Plaza Retail REIT

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#### (d) *Litigation*

The Trust is involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. Any liability that may arise from current or pending litigation would not have a significant adverse effect on these financial statements.

#### (e) *Provisions*

A provision is recognized if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The Trust has no provisions recorded at December 31, 2020 (December 31, 2019 – nil).

## 28. Financial Instruments and Risk Management

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

#### (a) *Interest Rate Risk*

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

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

The Trust entered into four interest rate swap contracts during 2019 with Canadian chartered banks, in order to convert the mortgages from variable rates to fixed rates. The swaps mature between May and August 2029. The fair value of these contracts results in a liability of \$3.7 million at December 31, 2020 (December 31, 2019 - \$354 thousand). There is a risk that interest rates will fluctuate during the terms of the mortgages. The Trust intends to hold the mortgages to maturity and therefore would not realize the fair value fluctuations. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

The Trust had entered into interest rate swap contracts with a Canadian chartered bank in connection with mortgages obtained in 2010, in order to convert the mortgages from variable rates to fixed rates. The swaps mature on July 26, 2025. As the swaps relate to debt of an equity-accounted investee, the interest rate swap contracts have been recorded at fair value in investments with changes in fair value reflected in share of profit of associates. The fair value of these contracts results in a liability, for the Trust's share, of \$166 thousand at December 31, 2020 (December 31, 2019 – \$65 thousand recovery). There is a risk that interest rates will fluctuate during the term of the mortgages. The Trust intends to hold the mortgages to maturity and therefore would not realize the fair value fluctuations. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

As part of a property acquisition in 2015, the Trust assumed a variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate). In May 2019, the mortgage was discharged and the interest rate swap was settled at a cost of \$176 thousand.

The Trust entered into an interest rate swap with a Canadian chartered bank in connection with a mortgage obtained during 2019 for a property held in an equity-accounted investee. The interest rate swap contract has been recorded at fair value in investments with changes in fair value reflected in share of profit of associates. The fair value of this contract results in a liability, for the Trust's share of \$125 thousand at December 31, 2020 (December 31, 2019 - \$27 thousand recovery). There is a risk that interest rates will fluctuate during the term of the mortgages. The Trust intends to hold the mortgages to maturity

## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

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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.

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, 2020 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by \$664 thousand (for the year ended December 31, 2019 – \$429 thousand).

#### (b) *Lease Rollover and Occupancy Risk*

The Trust is exposed to the risk of not being able to replace tenants as leases expire or in re-leasing space vacated by tenants. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately \$600 thousand to \$1.0 million per annum. The Trust's principal management of occupancy risk involves the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space. As well, the Trust attempts to stagger the lease expiry profile so that the Trust is not faced with a disproportionate amount of square footage of leases expiring in any one year. The Trust further mitigates this risk by maintaining a diversified portfolio mix by geographic location and maintaining a well-staffed and highly skilled leasing department to deal with all leasing issues.

#### (c) *Credit Risk*

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and heavily weighted to national tenants. National and regional tenants comprise 94.0% of the in-place tenant base rent (December 31, 2019 – 94.6%). As well, the Trust maintains a portfolio that is diversified geographically so that exposure to local business is lessened and the Trust limits loans granted under lease arrangements to credit-worthy mainly national tenants.

The Trust generally provides financial guarantees and advances only to wholly-owned subsidiaries, non-consolidated investments and joint arrangement partners during the development periods, subject to reciprocal indemnities, by utilizing established development lines of credit. Repayment of the advances occurs upon placing permanent financing on the related property or through cash flows generated by the related property upon completion of the development. Where lenders of first mortgages on joint arrangement properties require financial guarantees from the Trust, reciprocal indemnities are generally obtained from the Trust's joint arrangement partners. See Note 27(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, 2020	December 31, 2019
Tenant loans, receivables, and notes and advances receivable	\$ 15,823	\$ 10,963
Cash	8,274	8,845
<b>Total</b>	<b>\$ 24,097</b>	<b>\$ 19,808</b>

The Trust's most significant customer, a national retailer, accounts for \$106 thousand of tenant loans at December 31, 2020 (December 31, 2019- \$131 thousand).

Shoppers Drug Mart/Loblaw represents 24.7% of monthly base rents in place at December 31, 2020, while Dollarama represents 5.4% of monthly base rents in place. The top 10 tenants collectively represent approximately 54.0% 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.

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#### (d) Liquidity and Debt Market Risk

COVID-19 has impacted liquidity during 2020, and is anticipated to impact liquidity going forward, as rent collections from tenants have been impacted.

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

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

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Current liabilities <sup>(1)</sup>	\$ 18,681	\$ 18,681	\$ 18,681	\$ -	\$ -	\$ -	\$ -	\$ -
Debentures payable	\$ 60,807	\$ 68,598	\$ 12,285	\$ 8,460	\$ 47,853	\$ -	\$ -	\$ -
Notes payable	\$ 1,236	\$ 1,236	\$ 1,236	\$ -	\$ -	\$ -	\$ -	\$ -
Bank indebtedness	\$ 33,451	\$ 33,451	\$ 33,451	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage bonds payable	\$ 8,143	\$ 8,793	\$ 2,397	\$ 6,396	\$ -	\$ -	\$ -	\$ -
Mortgages payable	\$510,745	\$607,521	\$121,661	\$ 69,913	\$ 54,739	\$55,912	\$66,271	\$239,025

<sup>(1)</sup> Balance includes accounts payable, accrued liabilities, tenant payables and tenant deposits.

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

#### (e) Fair Value

Generally, trading values for the Trust's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Trust must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of fixed rate mortgages are corresponding term Government of Canada bonds plus credit spreads of 1.85% to 3.00% (December 31, 2019 – 1.60% to 2.35%). The rate used to determine the fair value of mortgage bonds was 5.50% (December 31, 2019 – 5.0%). The rate used to determine the fair value of non-convertible debentures was 5.75% (December 31, 2019 – 5.50%). The majority of the Trust's convertible debentures are publicly traded. The fair value of the Class B exchangeable LP units is based on the trading price for the Trust's units.

# Plaza Retail REIT

## Notes to the Consolidated Financial Statements

December 31, 2020

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

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

	Book Value December 31, 2020	Fair Value December 31, 2020	Book Value December 31, 2019	Fair Value December 31, 2019
Cash	\$ 8,274	\$ 8,274	\$ 8,845	\$ 8,845
Receivables	8,106	8,106	4,285	4,285
Notes and advances receivable	7,206	7,206	6,038	6,038
Tenant loans	511	511	640	640
<b>Total Financial Assets</b>	<b>\$ 24,097</b>	<b>\$ 24,097</b>	<b>\$ 19,808</b>	<b>\$ 19,808</b>
Bank indebtedness	\$ 33,451	\$ 33,451	\$ 17,339	\$ 17,339
Accounts payable, accrued liabilities, tenant payables and tenant deposits	18,681	18,681	21,647	21,647
Total net fixed rate mortgage loans	477,831	498,141	478,903	488,862
Total net variable rate mortgage loans or credit facilities	32,914	32,914	25,450	25,450
Convertible debentures	50,983	50,983	54,412	54,412
Non-convertible debentures	9,824	9,763	9,778	9,688
Mortgage bonds payable	8,143	8,176	8,937	8,975
Class B exchangeable LP units	4,300	4,300	5,444	5,444
Notes payable	1,236	1,236	1,456	1,456
<b>Total Financial Liabilities</b>	<b>\$ 637,363</b>	<b>\$ 657,645</b>	<b>\$ 623,366</b>	<b>\$ 633,273</b>

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

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

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

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

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

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

	December 31, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 994,390	\$ -	\$ -	\$ 1,026,773
Right-of-use land lease assets	-	-	66,746	-	-	59,907
Investment properties held for sale	3,128	-	-	609	-	-
	<b>\$ 3,128</b>	<b>\$ -</b>	<b>\$ 1,061,136</b>	<b>\$ 609</b>	<b>\$ -</b>	<b>\$ 1,086,680</b>
Class B exchangeable LP units	\$ 4,300	\$ -	\$ -	\$ 5,444	\$ -	\$ -
Series E convertible debentures	45,667	-	-	48,739	-	-
Series VII convertible debentures	-	5,316	-	-	5,673	-
Land lease liabilities	-	-	66,746	-	-	59,907
	<b>\$ 49,967</b>	<b>\$ 5,316</b>	<b>\$ 66,746</b>	<b>\$ 54,183</b>	<b>\$ 5,673</b>	<b>\$ 59,907</b>

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



## Plaza Retail REIT

### Notes to the Consolidated Financial Statements

December 31, 2020

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

## 29. Capital Management

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

Bank operating and development lines require maintenance of at least \$150 million of unitholders' equity; maximum leverage of 70% including convertible debentures and 65% excluding convertible debentures; maintenance of debt coverage ratios in excess of 1.5 times with the debt coverage ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. The bank operating line also requires on pledged assets: 90% occupancy; 65% loan to value; and interest coverage constraints of 1.60. In addition, under a development line, the Trust must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets less fair value adjustments of not more than 70%. The Trust has a \$10.08 million construction credit facility which requires maintenance of at least \$200 million of unitholders' equity, maximum leverage of 65% and debt coverage ratios in excess of 1.3 times. The Trust is in compliance with all financial debt covenants at December 31, 2020.

There were no changes to the Trust's approach to capital management for the year ended December 31, 2020.

The calculation of the total capital is summarized as follows:

	December 31, 2020	December 31, 2019
Total net fixed rate mortgage loans	\$ 477,831	\$ 478,903
Total net variable rate mortgage loans or credit facilities	32,914	25,450
Mortgage bonds payable	8,143	8,937
Debentures payable	60,807	64,190
Land lease liabilities	66,746	59,907
Bank indebtedness	33,451	17,339
Class B exchangeable units	4,300	5,444
Notes payable	1,236	1,456
	685,428	661,626
Unitholders' equity	426,902	471,448
<b>Total</b>	<b>\$ 1,112,330</b>	<b>\$ 1,133,074</b>

## 30. Subsequent Events

### Financings

In February 2021, the Trust obtained long-term financing for a property located in Bedford, NS in the amount of \$9.75 million with a term of 5 years and an interest rate of 2.381%.

### Unitholders' Equity

Between January 1<sup>st</sup> and February 24<sup>th</sup>, 2021, an additional 4,650 units have been repurchased under the normal course issuer bid at an average unit price of \$3.6459.

### Distributions and Distribution Reinvestment Plan

The Trust paid a cash distribution of \$0.02333 per unit for a total of \$2.4 million on January 15, 2021.

The Trust paid a cash distribution of \$0.02333 per unit for a total of \$2.4 million on February 16, 2021.

### Liquidity

The full CEWS government receivable as at December 31, 2020 has been collected.

As at February 24<sup>th</sup>, 2021, Plaza has collected 97.0% of January's gross rent.

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