PLAZA RETAIL REIT

ANNUAL REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS (AUDITED IN CANADIAN DOLLARS)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

DATED: FEBRUARY 23, 2017

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PRESIDENT'S MESSAGE

Fellow Unitholders:

We are pleased to report our results for the year ended December 31, 2016. We continued to grow in 2016 through redevelopment and new development projects across our geography. Our Board of Trustees approved our 14^{th} consecutive annual distribution increase for 2017. Plaza has more than tripled its distribution over the last 14 years. Our initial distribution of 8 cents per unit in 2003 has grown to 27 cents per unit in 2017.

Plaza's focus and different business model have delivered, and will deliver, superior results for its unitholders. The retail industry continues to experience dramatic changes. The pace of change is accelerating and is creating opportunities for Plaza, as we possess a strong leasing and development infrastructure. Plaza's business model has always focused on developing or redeveloping new space for value, convenience and specialty retailers.

Plaza's development and redevelopment pipeline remains strong. We foresee continued growth and opportunity on both fronts. Plaza has five enclosed mall simplification projects underway that will be competed in 2017. Our largest new development ever will be launched in late 2017 in St. John's, Newfoundland. We continue to pursue a number of joint venture initiatives with various partners: residential land developers with excess retail lands; institutions; and property owners seeking a strong and capable development partner such as Plaza.

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

Plaza will continue to differentiate itself from other REITs as it:

1) is uniquely positioned as a developer and value-add operator;
2) is focused on per unit growth through accretive developments and redevelopments;
3) possesses a fully internalized and vertically integrated management platform;
4) has significant insider ownership;
5) offers an entrepreneurial style that allows it to adapt to changing market conditions;
6) pursues a very long term financing strategy to lock in returns; and
7) has a track record of distribution increases and a conservative payout ratio.

Few Canadian public real estate entities offer the potent combination of a secure distribution stream and the ability to consistently grow distributions by developing and redeveloping high quality projects.

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

Sincerely,

Michael Zakuta

President and CEO

PART I

BASIS OF PRESENTATION

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to February 23, 2017. 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.

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, 2016 and 2015, along with the MD&A of the Trust for the year ended December 31, 2015, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

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

These forward-looking statements are made as of February 23, 2017 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

OVERVIEW OF THE BUSINESS

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

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

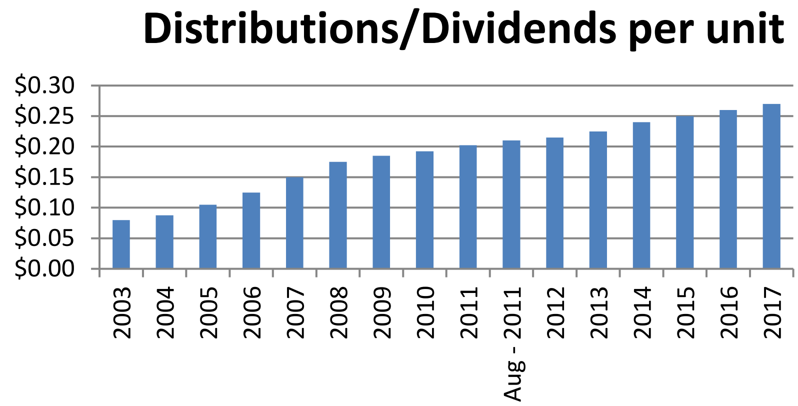
- Plaza has a 15 year history of accretive growth and value creation;
- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed and enclosed retail real estate throughout Canada;
- Plaza has strong relationships with leading retailers;
- Plaza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

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

Yearly Distribution/Dividend Growth

2003[1]	8.00¢	n/a
2004	8.75¢	9.4%
2005	10.50¢	20.0%
2006	12.50¢	19.0%
2007	15.00¢	20.0%
2008	17.50¢	16.7%
2009	18.50¢	5.7%
2010	19.25¢	4.1%
2011	20.25¢	5.2%
2011-Aug	21.00¢	3.7%
2012	21.50¢	2.4%
2013	22.50¢	4.7%
2014	24.00¢	6.7%
2015	25.00¢	4.2%
2016	26.00¢	4.0%
2017	27.00¢	3.8%

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



The Trust's portfolio at December 31, 2016 includes interests in 298 properties totaling approximately 7.8 million square feet (which are predominantly occupied by national tenants) and additional lands held for development. These include properties indirectly held by Plaza through its subsidiaries and through joint arrangements.

Summary of Properties

	Number of Properties December 31, 2016[1]	**Gross Leasable Area (sq. ft.) December 31, 2016[1] [2]**	Number of Properties December 31, 2015[1]	Gross Leasable Area (sq. ft.) December 31, 2015[1] [2]
Alberta	**10**	**52,348**	11	50,829
Newfoundland and Labrador	**12**	**679,926**	12	645,401
New Brunswick	**51**	**1,890,336**	50	1,724,042
Nova Scotia	**37**	**1,175,940**	37	1,169,051
Manitoba	**6**	**30,424**	6	30,424
Ontario	**73**	**1,265,621**	84	957,812
Prince Edward Island	**11**	**595,821**	11	577,733
Quebec	**98**	**2,078,534**	97	1,953,297
Total	**298**	**7,768,950**	308	7,108,589

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

BUSINESS ENVIRONMENT AND OUTLOOK

Plaza's entrepreneurial culture and adaptability, combined with its strong fully internalized platform, has allowed, and will continue to allow, Plaza to grow and take advantage of opportunities in the market place. Plaza has always had a focused strategy of growing the business through value-add developments and redevelopments and opportunistic acquisitions. Its properties are primarily leased to national retailers, with a focus on retailers in the consumer staples market segment – a segment that tends to withstand broader economic conditions or other retail trends, such as online sales. Plaza's execution of this strategy and its leasing efforts over the years have produced a portfolio that is dominated by national retailers, providing investors with a stable and growing cash flow. Barring unforeseen events, management believes it can continue to deliver growth and a solid performance in 2017. In fact, Plaza increased its annual distribution from \$0.26 per unit to \$0.27 per unit for 2017 – its 14th consecutive annual distribution increase. This is a testament to Plaza's proven growth strategy.

While it continues to be tough for certain retailers, particularly those focused on fashion, retailers with a focus on consumer staple goods or value goods continue to perform well. These are exactly the retailers that dominate Plaza's portfolio and ongoing developments/redevelopments. As well, the principal regions in which Plaza operates generally exhibit stability in retailer demand for space and in consumer spending. Plaza's geography is focused in Central and Eastern Canada.

Government of Canada bond rates and overall interest rates continued to remain low for 2016. Notwithstanding more recent volatility and a general increase in Government of Canada bond rates due mainly to U.S. economic and political conditions, long-term debt financing continues to be readily available from lenders, not only at historically competitive fixed rates, but with long amortization periods and long terms as well. Plaza believes that this will continue to be the case for 2017. Plaza continues to look for early refinancing opportunities within its portfolio in order to take advantage of current borrowing conditions and current interest rates.

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

Properties under development/redevelopment	Property Type	Status	Square Footage[1]	Ownership	Occupied or Committed at December 31, 2016[4]	Anticipated Completion Date
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning	6,000	50%	n/a	2017 - 2018
Plaza de L'Ouest, Sherbrooke, QC – Phase III	Strip Plaza	In Planning	40,000	50%	n/a	2017 - 2018
Fairville Boulevard – Phase III, Saint John, NB	Strip Plaza	In Planning	24,000	100%	n/a	2017 - 2018
St. Jerome, St. Jerome (Montreal), QC -Phase III[2]	Strip Plaza	In Planning	100,000	20%	n/a	2017 - 2018
9 James St., Antigonish, NS[3]	Single Use	In Construction	2,850	100%	100%	Q1 2017
Northside Plaza, Fredericton, NB	Strip Plaza	In Construction	36,858	100%	77%	Q1 2017
3000 Bd. St. Charles Blvd, Kirkland, QC[3]	Single Use	In Planning	2,554	100%	100%	Q1 2018
7550 Rue Beclard, Anjou, QC	Strip Plaza	In Planning	43,511	100%	n/a	2018
600 JP Perrault, Sherbrooke, QC	Strip Plaza	In Planning	83,000	50%	n/a	Q3 2017
Park Street Plaza, Kenora, ON	Enclosed Mall to Strip Plaza	In Construction	71,192	20%	87%	Q2 2017
Mountainview Plaza, Midland, ON	Enclosed Mall to Strip Plaza	In Construction	172,646	20%	95%	Q3 2017
5628-4th Street NW, Calgary, AB[3]	Expansion	In Construction	3,000	100%	100%	Q1 2017
Bureau en Gros, Rimouski, QC[2]	Expansion	In Construction	5,000	50%	100%	Q1 2017
Pleasant Street, Yarmouth, NS	Expansion	In Planning	5,000	100%	n/a	2017 - 2018
9025 Torbram Rd, Brampton, ON[3]	Expansion	In Planning	15,825	100%	100%	Q3 2018
Millidgeville, Saint John, NB	Single Use	In Construction	13,885	100%	100%	Q1 2017
Spencer Dr. Plaza, Charlottetown, PE	Pad	In Construction	4,150	100%	100%	Q1 2017
Central Avenue Plaza, Greenwood, NS[3]	Single Use	In Construction	1,920	100%	100%	Q1 2017
University Plaza, Charlottetown, PE[3]	Expansion	In Construction	10,000	86%	100%	Q2 2017
233 Main St, Moncton, NB	Single Use	In Planning	25,000	100%	100%	Q1 2018
Northumberland, Miramichi, NB	Enclosed Mall to Strip Plaza	In Construction	91,000	50%	98%	Q3 2017
Eastcourt, Cornwall, ON	Enclosed Mall to Strip Plaza	In Construction	142,000	50%	99%	Q3 2017
Timiskaming, New Liskeard, ON	Enclosed Mall	In Construction	81,000	50%	74%	Q3 2017
Powell Drive Plaza, Carbonear, NL	Expansion	In Planning	4,000	100%	100%	Q4 2017
100 Saint-Jude Nord, Granby, QC[2]	Strip Plaza	In Planning	100,000	8%	n/a	2018
The Shoppes at Galway, St. John's, NL – Phase I	Strip Plaza	In Planning	265,000	50%	n/a	2018
The Shoppes at Galway, St. John's, NL – Phase II	Strip Plaza	In Planning	335,000	50%	n/a	2019
The Shoppes at Galway, St. John's, NL – Phase III	Strip Plaza	In Planning	100,000	50%	n/a	2019
Total			1,784,391			

(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.

There is excess density at existing properties that the Trust plans to develop in the short term which would represent approximately 51 thousand additional square feet at completion.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between $90 million and $100 million, of which approximately $57.8 million has already been spent (at Plaza's ownership percentage).

SIGNIFICANT EVENTS DURING 2016

Equity Offering

On March 31, 2016, the Trust closed a public offering of 5.0 million units at an issue price of $4.60 per unit for gross proceeds of $23.0 million. The proceeds were used to redeem the $9.2 million 8% Series B convertible debentures on April 29, 2016, with the balance used to reduce its operating line of credit and for general trust purposes.

Joint venture with RioCan Real Estate Investment Trust

On June 16, 2016, the Trust entered into a 50/50 joint venture with RioCan Real Estate Investment Trust ("RioCan") that is focused on redeveloping three properties located in Ontario and New Brunswick which were previously 100% owned by RioCan. Under the terms of the arrangement, the Trust acquired a 50% managing interest in the three properties for an aggregate purchase price of $11.5 million (before closing costs). The Trust will manage the three assets and oversee redevelopment efforts for the joint venture.

Increase in Distribution

The Board of Trustees approved the 14th consecutive annual distribution increase to $0.27 per unit for 2017, representing a 3.8% increase from 2016, and is effective for the regularly scheduled monthly distribution payment dates beginning with the January distribution, which was paid on February 15, 2017.

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

(000s, except as otherwise noted)	2016	2015
Property rental revenue	**$ 100,215**	$ 96,050
Total revenue	**$ 108,029**	$ 101,854
NOI[1]	**$ 62,672**	$ 60,898
Same-asset NOI[1]	**$ 54,835**	$ 55,272
FFO[1]	**$ 32,650**	$ 31,314
AFFO[1]	**$ 32,221**	$ 29,908
EBITDA[1]	**$ 58,661**	$ 57,568
Total assets	**$ 1,029,892**	$ 1,023,887
Total mortgages, mortgage bonds, notes payable, bank credit facilities	**$ 488,344**	$ 514,466
Total debentures	**$ 60,172**	$ 64,490
Weighted average units outstanding [2]	**98,100**	94,014
Amounts on a Per Unit Basis		
FFO[1]	**$ 0.333**	$ 0.333
AFFO[1]	**$ 0.328**	$ 0.318
Distributions	**$ 0.260**	$ 0.250
Financial Ratios		
Weighted average interest rate – fixed rate mortgages	**4.46%**	4.59%
Debt to gross assets (excluding converts)	**47.7%**	50.5%
Debt to gross assets (including converts)	**53.0%**	56.4%
Interest coverage ratio[1]	**2.18x**	2.08x
Debt coverage ratio[1]	**1.58x**	1.55x
Distributions as a % of FFO	**78.5%**	75.1%
Distributions as a % of AFFO	**79.5%**	78.6%
Leasing Information		
Square footage leased during the period (total portfolio)	**1,481,170**	1,248,903
Committed occupancy	**95.9%**	96.1%
Same-asset committed occupancy	**95.8%**	96.3%
Mix of Tenancy Based on Square Footage		
National	**90.7%**	90.5%
Regional	**4.0%**	4.1%
Local	**4.2%**	4.2%
Non retail	**1.1%**	1.2%
Other		
Average term to maturity - mortgages	**6.4 Years**	6.5 years
Average term to maturity - leases	**6.2 Years**	6.5 years
IFRS capitalization rate	**7.03%**	7.04%

Property Type Breakdown	**Number of Properties December 31, 2016**	**Square Footage (000s)**	Number of Properties December 31, 2015	Square Footage (000s)
Strip	**103**	**5,332**	97	4,563
Enclosed	**5**	**1,036**	6	1,122
Single Use – Quick Service Restaurant	**128**	**377**	142	393
Single Use – Retail	**62**	**1,024**	63	1,031
Total	**298**	**7,769**	308	7,109

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

EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

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

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

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

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

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

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

EXPLANATION OF ADDITIONAL IFRS MEASURES USED IN THIS DOCUMENT

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

PART II

STRATEGY

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

The Trust strives to:

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

The Trust invests in the following property types:

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

Management intends to achieve Plaza's goals by:

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

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

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

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing a steady and increasing cash flow to unitholders. The following chart discusses the key performance indicators for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Funds from Operations[1]		**2016**	2015
	FFO	**$32,650**	$31,314
	FFO per unit	**$0.333**	$0.333
	➢ FFO increased despite a reduction in NOI from assets sold of $1.0 million and a reduction in other income of $1.1 million due to one-time insurance proceeds received in the prior year. Propelling the increase was growth in NOI from developments / redevelopments / acquisitions of $2.9 million. Excluding the one-time insurance proceeds, FFO and FFO per unit would have increased by 8.2% and 3.7% respectively, instead of 4.3% and nil, respectively.		
Adjusted Funds from Operations[1]		**2016**	2015
	AFFO	**$32,221**	$29,908
	AFFO per unit	**$0.328**	$0.318
	The principal factors influencing AFFO were: ➢ Net growth in NOI from developments/redevelopments/acquisitions; and ➢ A decrease in maintenance capital expenditures and leasing costs.		
FFO/AFFO Payout Ratios		**2016**	2015
	Distributions as a % of FFO	**78.5%**	75.1%
	Distributions as a % of AFFO	**79.5%**	78.6%
	➢ Plaza maintains good payout ratios by industry standards and retains sufficient cash to operate the business.		
Debt Service Ratios[1]		**2016**	2015
	Interest coverage ratio	**2.18x**	2.08x
	Debt coverage ratio	**1.58x**	1.55x
	➢ The increase reflects higher EBITDA and/or lower finance costs.		
Debt to Gross Assets		**2016**	2015
	Debt to gross assets (excluding converts)	**47.7%**	50.5%
	Debt to gross assets (including converts)	**53.0%**	56.4%
	➢ The reduction is partly due to the equity offering completed in 2016 and the resultant reduction of debt and debentures.		
Same-Asset Net Property Operating Income[1]		**2016**	2015
	Same-asset NOI	**$54,835**	$55,272
	➢ The decrease in same-asset NOI was mainly due to vacancies at two properties, one of which was re-leased at a lower rent, as well as roof repairs.		
Weighted Average Interest Rate – Fixed Rate Mortgages		**2016**	2015
	Weighted average interest rate – fixed rate mortgages	**4.46%**	4.59%
	➢ The decrease was a result of continued financings at historically low rates.		
Occupancy Levels		**2016**	2015
	Committed occupancy	**95.9%**	96.1%
	Same-asset committed occupancy	**95.8%**	96.3%

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

PROPERTY AND CORPORATE PERFORMANCE 2016 AND 2015

Funds from Operations (FFO)

Plaza's summary of FFO for the three and twelve months ended December 31, 2016, compared to the three and twelve months ended December 31, 2015 is presented below:

(000s – except per unit amounts)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Profit for the period attributable to unitholders	**$ 9,535**	$ 4,740	**$ 32,631**	$ 38,054
Add (deduct):				
Incremental leasing costs included in administrative expenses	**321**	288	**1,502**	1,323
Distributions on Class B exchangeable LP units included in finance costs	**86**	83	**343**	330
Deferred income taxes	**179**	732	**1,252**	1,368
Fair value adjustment to restricted share units	**(2)**	16	**2**	31
Fair value adjustment to investment properties	**1,570**	(239)	**(1,648)**	(9,592)
Fair value adjustment to investments	**(1,233)**	2,535	**(2,916)**	(635)
Fair value adjustment to Class B exchangeable LP units	**(316)**	355	**396**	804
Fair value adjustment to convertible debentures	**(1,274)**	16	**1,256**	(1,042)
Fair value adjustment to interest rate swap and bond forward	**(137)**	41	**154**	206
Equity accounting adjustment	**(66)**	(6)	**(104)**	235
Non-controlling interest adjustment	**(44)**	219	**(218)**	232
Basic FFO	**$ 8,619**	$ 8,780	**$ 32,650**	$ 31,314
Interest on dilutive convertible debentures	**569**	-	**2,120**	-
Diluted FFO	**$ 9,188**	$ 8,780	**$ 34,770**	$ 31,314
Basic Weighted Average Units Outstanding (1)	**99,515**	94,122	**98,100**	94,014
Diluted Weighted Average Units Outstanding (1)	**106,338**	94,122	**104,509**	94,014
Basic FFO per unit	**$ 0.087**	$ 0.093	**$ 0.333**	$ 0.333
Diluted FFO per unit	**$ 0.086**	$ 0.093	**$ 0.333**	$ 0.333

(1) Includes Class B exchangeable LP units.

Basic FFO for the twelve months ended December 31, 2016 increased by 4.3% over the prior year. Basic FFO per unit for the twelve months ended December 31, 2016 was consistent with the prior year. FFO increased despite a reduction in NOI from assets sold and one-time insurance proceeds received in the prior year. Propelling the increase was net development/redevelopment activity. Excluding the one-time insurance proceeds, FFO and FFO per unit would have increased by 8.2% and 3.7%, respectively.

More specifically, impacting FFO was:

(i) growth in NOI of $2.9 million from developments/redevelopments/acquisitions (refer to page 18);

(ii) a decrease in NOI of $1.0 million due to the sale of former KEYreit properties (refer to page 18);

(iii) a decrease in same-asset NOI of $437 thousand (refer to page 17);

(iv) an increase in investment income of $371 thousand due to interest earned on a vendor take-back mortgage on a previous property sale;

(v) a decrease in other income of $1.1 million due to one-time insurance proceeds received on various properties in the prior year;

(vi) an increase in share of profit of associates (net of underlying income producing property fair value adjustments) of $478 thousand due to a property at the underlying investment moving to income producing status from development status; and

(vii) a decrease in finance costs (net of distributions on Class B exchangeable LP units) of $248 thousand mainly due to lower amortization of mark-to-market adjustments on debt due to sales or refinancings of the related properties in the prior year and lower loan defeasance and early mortgage discharge fees incurred (refer to page 22).

Basic FFO for the three months ended December 31, 2016 decreased by 1.8% over the same period in the prior year. Basic FFO per unit decreased 6.5% over the same period in the prior year. The main driver of the decrease was one-time insurance proceeds received in the prior year. Excluding the one-time insurance proceeds, FFO and FFO per unit would have increased by 10.9% and 4.9%, respectively.

More specifically, impacting FFO was:

(i) growth in NOI of $685 thousand from developments/redevelopments/acquisitions (refer to page 18);
(ii) a decrease in NOI of $271 thousand due to the sale of former KEYreit properties (refer to page 18);
(iii) a decrease in same-asset NOI of $113 thousand (refer to page 17);
(iv) a decrease in other income of $1.2 million due to one-time insurance proceeds received on various properties in the prior year;
(v) an increase in share of profit of associates (net of underlying income producing property fair value adjustments) of $116 thousand due to a property at the underlying investment moving to income producing status from development status; and
(vi) a decrease in finance costs (net of distributions on Class B exchangeable LP units) of $0.5 million, mainly due to prior year early mortgage discharge fees incurred, lower mortgage interest from refinancings and sales of properties and lower interest on lines of credit as a result of lower balances outstanding (refer to page 22).

The per unit amounts for both the quarter and year to date were impacted by the public offering of 5.0 million units completed on March 31, 2016.

Adjusted Funds from Operations (AFFO)

Plaza's summary of AFFO for the three and twelve months ended December 31, 2016, compared to the three and twelve months ended December 31, 2015 is presented below:

(000s – except per unit amounts and percentage data)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Basic FFO[(1)]	**$ 8,619**	$ 8,780	**$ 32,650**	$ 31,314
Add (deduct):				
Amortization of loan placement fees, included in finance costs	**277**	227	**947**	1,001
Loan defeasance expenses and early mortgage discharge fees paid	**-**	220	**462**	1,160
Principal repayment of tenant loans	**24**	38	**99**	148
Non-controlling interest adjustment	**36**	72	**67**	155
Development/redevelopment costs included in administrative expenses [(2)]	**309**	294	**1,414**	1,320
Non-cash revenue – straight-line rent	**3**	(65)	**(412)**	(106)
Amortization of mark-to-market on debt assumed included in finance costs	**(57)**	(243)	**(360)**	(1,504)
Equity accounting adjustment	**(8)**	29	**(80)**	(37)
Maintenance capital expenditures – existing properties	**(546)**	(481)	**(1,219)**	(1,380)
Leasing costs – existing properties	**(321)**	(512)	**(985)**	(1,821)
Mortgage placement fees – existing properties	**(56)**	(45)	**(362)**	(342)
Basic AFFO	**$ 8,280**	$ 8,314	**$ 32,221**	$ 29,908
Interest on dilutive convertible debentures	**569**	-	**163**	-
Diluted AFFO	**$ 8,849**	$ 8,314	**$ 32,384**	$ 29,908
Basic AFFO per unit	**$ 0.083**	$ 0.088	**$ 0.328**	$ 0.318
Diluted AFFO per unit	**$ 0.083**	$ 0.088	**$ 0.327**	$ 0.318
Gross distributions to unitholders [(3)]	**6,472**	5,884	**25,621**	23,507
Distributions as a percentage of basic AFFO	**78.2%**	70.8%	**79.5%**	78.6%
Distributions as a percentage of basic FFO	**75.1%**	67.0%	**78.5%**	75.1%

(1) See reconciliation of Basic FFO to profit attributable to unitholders in the FFO section of the MD&A above.
(2) Represents salaries and other costs not capitalized for accounting purposes but are related to development activities, that in management's view, form part of the cost of development projects. The amount excludes the salaries and other costs of the leasing department as these amounts are already added back in the derivation of FFO.
(3) Includes distributions on Class B exchangeable LP units.

For the twelve months ended December 31, 2016, AFFO increased by $2.3 million, or 7.7% over the prior year, and AFFO per unit increased by 3.1% over the prior year. The increase in AFFO and AFFO per unit was mainly due to net growth in NOI mainly from developments/redevelopments/acquisitions, and a decrease in maintenance capital expenditures and leasing costs, partly offset by one-time insurance proceeds received in the prior year. Maintenance capital expenditures are less than the prior year, as many needed improvements to acquired KEYreit properties had been completed in the prior year. Prior year leasing costs include tenant improvements for a 24,000 square foot national tenant at one of Plaza's strip centres.

For the three months ended December 31, 2016, AFFO decreased by $34 thousand, or 0.4% over the prior year, and AFFO per unit decreased by 5.7% over the prior year. The decrease in AFFO and AFFO per unit was mainly due to one-time insurance proceeds received on various properties in the prior year.

The per unit amounts for both the quarter and year to date were impacted by the public offering of 5.0 million units completed on March 31, 2016.

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

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

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Operating cash flow	**$ 8,796**	$ 9,579	**$ 32,916**	$ 27,449
Add (deduct):				
Non-controlling interest adjustment	**(47)**	(5)	**(278)**	(154)
Equity accounting adjustment	**554**	535	**2,081**	1,985
Distributions from equity accounted investments	**(188)**	(212)	**(1,180)**	(811)
Principal repayment of tenant loans	**24**	38	**99**	148
Change in interest accrual	**869**	941	**171**	(135)
Change in income tax accrual	**(12)**	58	**20**	44
Change in non-cash working capital	**(1,621)**	(2,353)	**(2,754)**	1,671
Development/redevelopment costs included in administrative expenses	**309**	294	**1,414**	1,320
Maintenance capital expenditures – existing properties	**(546)**	(481)	**(1,219)**	(1,380)
Incremental leasing costs included in administrative expenses	**321**	288	**1,502**	1,323
Fair value adjustment to restricted share units	**(2)**	16	**2**	31
Leasing commissions included in operating cash flow	**200**	173	**794**	580
Leasing costs – existing properties	**(321)**	(512)	**(985)**	(1,821)
Mortgage placement fees – existing properties	**(56)**	(45)	**(362)**	(342)
Basic AFFO	**$ 8,280**	$ 8,314	**$ 32,221**	$ 29,908
Interest on dilutive convertible debentures	**569**	-	**163**	-
Diluted AFFO	**$ 8,849**	$ 8,314	**$ 32,384**	$ 29,908

Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three and twelve months ended December 31, 2016, compared to the three and twelve months ended December 31, 2015 is presented below:

(000s – except debt service ratios)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Profit for the period	**$ 9,574**	$ 5,036	**$ 32,758**	$ 38,595
Add (deduct):				
Income taxes	**227**	702	**1,384**	1,445
Finance costs	**6,626**	7,083	**27,379**	27,614
Fair value adjustment to investment properties	**1,570**	(239)	**(1,648)**	(9,592)
Fair value adjustment to investments	**(1,233)**	2,535	**(2,916)**	(635)
Fair value adjustment to convertible debentures	**(1,274)**	16	**1,256**	(1,042)
Fair value adjustment to Class B exchangeable LP units	**(316)**	355	**396**	804
Fair value adjustment to restricted share units	**(2)**	16	**2**	31
Fair value adjustment to interest rate swap and bond forward	**(137)**	41	**154**	206
Equity accounting adjustment for interest rate swaps and bond forwards	**(66)**	(38)	**(104)**	142
EBITDA	**$ 14,969**	$ 15,507	**$ 58,661**	$ 57,568
Finance costs [(1)]	**$ 6,597**	$ 7,023	**$ 26,934**	$ 27,628
Periodic mortgage principal repayments	**2,555**	2,569	**10,185**	9,456
Total debt service	**$ 9,152**	$ 9,592	**$ 37,119**	$ 37,084
Debt service ratios				
Interest coverage ratio	**2.27 times**	2.21 times	**2.18 times**	2.08 times
Debt coverage ratio	**1.64 times**	1.62 times	**1.58 times**	1.55 times

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

For the three and twelve months ended December 31, 2016, the interest and debt coverage ratios were improved over the prior year, reflecting higher EBITDA and/or lower finance costs partly as a result of all of the early refinancings undertaken over the past few years at historically low interest rates, as well as lower debt balances outstanding. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

Same-Asset Net Property Operating Income

Same-asset categorization refers to those properties which were owned and operated by Plaza for the twelve months ended December 31, 2016 and the entire year ended December 31, 2015 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, 2016, approximately 49.4% of the Trust's leased area is tied to a CPI cost recovery formula. As well, certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal taxes are generally net and fully recoverable from all tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Same-asset rental revenue	**$ 21,079**	$ 21,181	**$ 85,580**	$ 85,574
Same-asset operating expenses	**(3,787)**	(3,777)	**(14,850)**	(14,762)
Same-asset realty tax expense	**(3,821)**	(3,820)	**(15,895)**	(15,540)
Same-asset net property operating income	**$ 13,471**	$ 13,584	**$ 54,835**	$ 55,272

As noted in the chart above, the NOI for the same-asset pool for the twelve months and three months ended December 31, 2016 decreased by $437 thousand or 0.8% and $113 thousand or 0.8%, respectively, over the same periods in the prior year. The decreases were mainly due to vacancies at two properties, one of which was re-leased at a lower rent, as well as roof repairs.

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

(000s except percentage data)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
New Brunswick	**$ 3,050**	$ 2,878	**$ 12,212**	$ 11,835
Nova Scotia	**2,605**	2,917	**10,850**	11,338
Quebec	**2,796**	2,760	**11,434**	11,702
Alberta	**213**	215	**869**	892
Manitoba	**182**	182	**728**	729
Ontario	**2,040**	2,059	**8,379**	8,407
Newfoundland and Labrador	**1,226**	1,174	**4,758**	5,052
Prince Edward Island	**1,359**	1,399	**5,605**	5,317
Same-asset net property operating income	**$ 13,471**	$ 13,584	**$ 54,835**	$ 55,272
Percentage decrease over prior period	**(0.8)%**		**(0.8)%**	

Net Property Operating Income

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

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Same-asset net property operating income	**$ 13,471**	$ 13,584	**$ 54,835**	$ 55,272
Developments and redevelopments transferred to income producing in 2015	**506**	347	**1,565**	980
Developments and redevelopments transferred to income producing in 2016 ($4.1 million annualized NOI)	**999**	688	**3,688**	2,295
Properties acquired	**66**	-	**221**	-
NOI from properties currently under redevelopment	**562**	413	**1,894**	1,154
Property disposals	**(15)**	256	**158**	1,206
Lease termination revenue	**106**	-	**317**	86
Property tax settlements	**-**	-	**-**	(109)
Other	**(39)**	5	**(6)**	14
Total net property operating income	**$ 15,656**	$ 15,293	**$ 62,672**	$ 60,898

Leasing and Occupancy

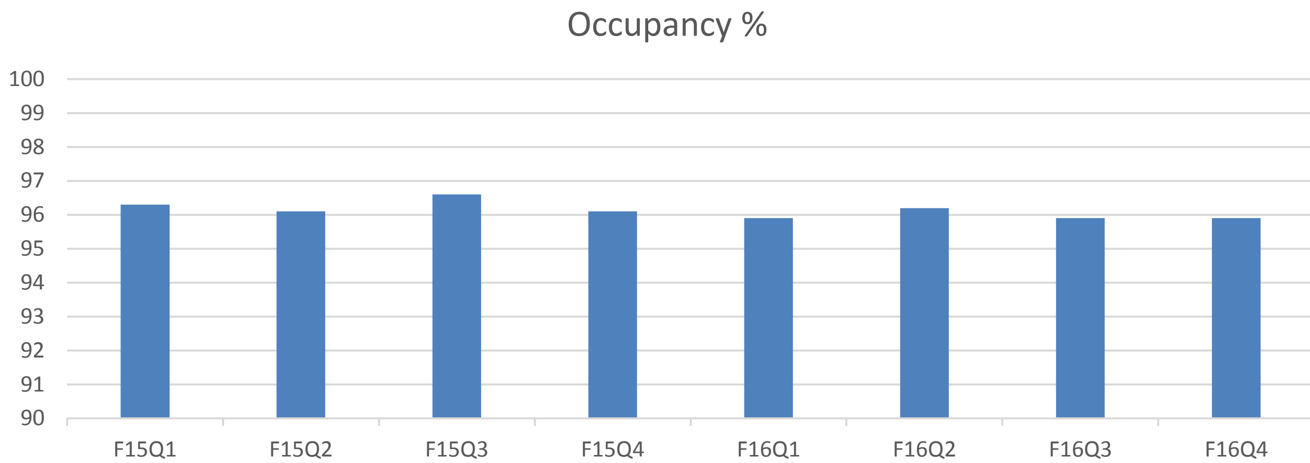
The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2016 (excluding developments/redevelopments and non-consolidated investments).

	Strip Plazas		Enclosed Malls		Single-User Retail		Single-User QSR [(2)]		**Total**	
Year	Sq Ft[(1)]	%	Sq Ft[(1)]	%	Sq Ft[(1)]	%	Sq Ft[(1)]	%	**Sq Ft[(1)]**	**%**
2017	198,889	5.8	41,939	6.4	8,963	1.0	16,132	5.6	**265,923**	**5.1**
2018	223,670	6.5	134,921	20.4	24,999	2.8	197,264	68.1	**580,854**	**11.0**
2019	286,865	8.4	143,871	21.8	19,504	2.2	-	-	**450,240**	**8.6**
2020	514,488	15.0	88,989	13.5	109,776	12.5	12,014	4.1	**725,267**	**13.8**
2021	482,152	14.1	27,889	4.2	38,537	4.4	-	-	**548,578**	**10.4**
Thereafter	1,715,807	50.2	222,193	33.7	680,614	77.1	64,239	22.2	**2,682,853**	**51.1**
Subtotal	3,421,871	100.0	659,802	100.0	882,393	100.0	289,649	100.0	**5,253,715**	**100.0**
Vacant	162,240		56,100		2,989		4,540		**225,869**	
Total	**3,584,111**		**715,902**		**885,382**		**294,189**		**5,479,584**	
Weighted average lease	**6.6 years**		**3.4 years**		**8.1 years**		**3.2 years**		**6.2 years**	

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

At December 31, 2016, overall committed occupancy for the portfolio (excluding properties under development/redevelopment and non-consolidated investments) was 95.9% compared to 96.1% at December 31, 2015. Same-asset committed occupancy was 95.8% at December 31, 2016, compared to 96.3% at December 31, 2015.

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



The weighted average contractual base rent per square foot on renewals/new leasing in 2016 versus expiries (excluding developments/redevelopments and non-consolidated investments) is outlined in the following table:

	Strip Plazas	Enclosed Malls	Single-User Retail	Single-User QSR
2016				
Leasing renewals (sq. ft.)	292,784	105,513	49,580	17,701
Weighted average rent ($/sq. ft.)	$12.31	$16.23	$11.65	$21.19
Change in weighted average rent	4.8%	0.9%	10.6%	2.2%
Expiries that renewed (sq. ft.)	292,784	105,513	49,580	17,701
Weighted average rent ($/sq. ft.)	$11.75	$16.08	$10.53	$20.74
New leasing (sq. ft.)	139,455	16,860	5,129	-
Weighted average rent ($/sq. ft.)	$12.17	$14.72	$23.16	-
Expiries not renewed (sq. ft.)	183,740	12,084	5,969	4,018
Weighted average rent ($/sq. ft.)	$13.84	$17.53	$22.67	$31.43
2017				
Expiries (sq. ft.)	198,889	41,939	8,963	16,132
Weighted average rent ($/sq. ft.)	$14.55	$16.62	$20.56	$35.32

In addition, for the twelve months ended December 31, 2016, the Trust completed 557 thousand square feet of new leasing deals on developments and redevelopments at market rates and 297 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

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

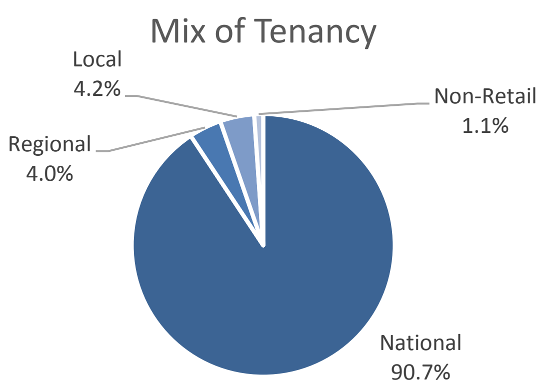
- Committed occupancy in the strip plazas was 95.7% at December 31, 2016, compared to 95.8% at December 31, 2015.
- Committed occupancy for enclosed malls was 92.2% at December 31, 2016, compared to 91.7% at December 31, 2015.
- Committed occupancy for single use assets was 99.4% at December 31, 2016, compared to 99.7% at December 31, 2015.
- Pre-leased space in properties under development was 77.1% at December 31, 2016.

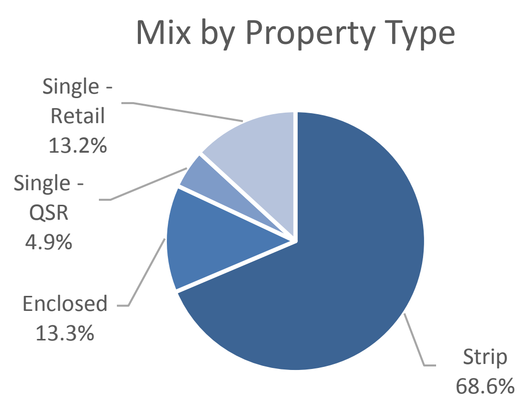
Plaza has built a portfolio with a high quality revenue stream. Plaza's ten largest tenants based upon current monthly base rents at December 31, 2016 represent approximately 57.9% of total base rent revenues in place.

	% of Base Rent Revenue		% of Base Rent Revenue
1. Shoppers Drug Mart	25.4	6. Canadian Tire Group[3]	3.1
2. KFC[1]	9.0	7. TJX Group[4]	2.8
3. Dollarama	4.8	8. Rexall Pharma Plus	2.2
4. Sobeys Group[2]	3.6	9. Bulk Barn	1.8
5. Staples	3.4	10. Best Buy	1.8

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

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





Profit and Total Comprehensive Income for the Period

The Trust recorded profit and total comprehensive income for the twelve months ended December 31, 2016 of $32.8 million compared to $38.6 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

(i) an increase in share of profit of associates of $2.3 million relating to the non-cash fair value adjustment to the underlying investment properties;
(ii) a net loss from the non-cash fair value adjustment to convertible debentures of $1.3 million compared to a net gain of $1.0 million in the prior year;
(iii) a net gain from non-cash fair value adjustments to investment properties of $1.6 million compared to a net gain of $9.6 million in the prior year; and
(iv) a net loss from the non-cash fair value adjustment to Class B exchangeable LP units of $396 thousand compared to a net loss of $804 thousand in the prior year.

The Trust recorded profit and total comprehensive income for the three months ended December 31, 2016 of $9.6 million compared to $5.0 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

(i) an increase in share of profit of associates of $3.8 million relating to the non-cash fair value adjustment to the underlying investment properties;
(ii) a net gain from the non-cash fair value adjustment to convertible debentures of $1.3 million compared to a net loss of $16 thousand in the prior year;
(iii) a net gain from the non-cash fair value adjustment to the Class B exchangeable LP units of $316 thousand, compared to a net loss of $355 thousand in the prior year; and

(iv) a net loss from non-cash fair value adjustments to investment properties of $1.6 million in the current quarter, compared to a net gain of $0.2 million in the prior year.

Share of Profit of Associates

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

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

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

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

Share of profit of associates for the twelve months ended December 31, 2016 includes Plaza's share of NOI of approximately $3.6 million. Share of profit of associates increased by $2.8 million for the twelve months ended December 31, 2016 compared to the twelve months ended December 31, 2015. The increase was mainly due to the increase in the non-cash fair value adjustment of the underlying investment properties.

Share of profit of associates for the three months ended December 31, 2016 includes Plaza's share of NOI of approximately $910 thousand. Share of profit of associates increased by $3.9 million for the three months ended December 31, 2016 compared to the three months ended December 31, 2015. The increase was mainly due to the increase in the non-cash fair value adjustment of the underlying investment properties.

Distributions received from associates for the twelve months ended December 31, 2016 were $1.2 million compared to $811 thousand for the twelve months ended December 31, 2015. Distributions received from associates for the three months ended December 31, 2016 were $188 thousand compared to $212 thousand for the three months ended December 31, 2015.

Finance Costs

Finance costs for the twelve months ended December 31, 2016 were $27.4 million, compared to $27.6 million for the prior year. Finance costs for the year were impacted by:

- (i) lower interest and amortization on interim bridge financing of $269 thousand, which was paid in full in Q1 2015 with new mortgage financing;
- (ii) lower mortgage interest due to refinancings and due to the sale of properties;
- (iii) prior year loan defeasance and early mortgage discharge fees incurred of $1.2 million;
- (iv) lower interest on development and operating lines of credit of $106 thousand as a result of a lower balance outstanding (mainly as a result of the equity offering and the resultant pay down of the operating line); and
- (v) lower debenture interest in the amount of $488 thousand due to the redemption of Series B convertible debentures on April 29, 2016.

These were partly offset by:

- (i) higher net interest expense of $100 thousand due to the issuance of Series X and XI mortgage bonds offset by the maturing of Series V, VI and VII mortgage bonds;
- (ii) higher debenture interest expense of $165 thousand due to the Series VII debentures issued in June 2016;
- (iii) lower capitalization of interest of $209 thousand due to timing of new developments;
- (iv) early mortgage discharge fees of $462 thousand from the sale of ten properties and the early refinancing of two properties; and
- (v) lower amortization of the mark-to-market adjustment on assumed KEYreit mortgages of $1.1 million due to sales of the related properties or refinancings of those mortgages.

Finance costs for the three months ended December 31, 2016 were $6.6 million, compared to $7.1 million for the same period in the prior year. Finance costs for the current quarter were impacted by:

- (i) lower debenture interest of $183 thousand due to the redemption of Series B convertible debentures;
- (ii) lower interest on development and operating lines of credit of $190 thousand as a result of a lower balance outstanding (mainly as a result of the equity offering and the resultant pay down of the operating line);
- (iii) prior year early mortgage discharge fees incurred of $220 thousand; and
- (iv) lower mortgage interest due to refinancings and due to the sale of properties.

These were partly offset by:

- (i) higher debenture interest expense of $76 thousand due to the Series VII debentures issued in June 2016;
- (ii) lower capitalization of interest due to timing of new developments of $65 thousand; and
- (iii) lower amortization of the mark-to-market adjustment on assumed KEYreit mortgages of $190 thousand due to sales of the related properties or refinancings of those mortgages.

Change in Fair Value of Investment Properties

The Trust recorded a fair value increase to investment properties of $1.6 million for the twelve months ended December 31, 2016 compared to a fair value increase of $9.6 million for the twelve months ended December 31, 2015. For the three months ended December 31, 2016, the Trust recorded a fair value decrease to investment properties of $1.6 million compared to an increase of $0.2 million in the prior year. The weighted average capitalization rate at December 31, 2016 was 7.03% which is one basis point lower than December 31, 2015. At December 31, 2016 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $34.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $32.5 million.

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 of the non-public convertible debentures are based on relative trading prices of the Trust's most closely comparable publicly traded convertible debentures.

The fair value adjustment to convertible debentures for the twelve months ended December 31, 2016 was a net loss of $1.3 million compared to a net gain of $1.0 million for the twelve months ended December 31, 2015. The fair value adjustment to convertible debentures for the three months ended December 31, 2016 was a net gain of $1.3 million compared to a net loss of $16 thousand for the three months ended December 31, 2015.

Change in Fair Value of Class B Exchangeable LP Units

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

The fair value adjustment to Class B exchangeable LP units for the three and twelve months ended December 31, 2016 was a net gain of $316 thousand and a net loss of $396 thousand, respectively, compared to a net loss of $355 thousand and $804 thousand, respectively, in the prior year.

Administrative Expenses

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Salaries and other costs relating to development/redevelopment activities	**$ 458**	$ 432	**$ 2,145**	$ 1,997
Other salaries and administrative expenses	**1,532**	1,609	**6,662**	6,675
Total administrative expenses	**$ 1,990**	$ 2,041	**$ 8,807**	$ 8,672

Administrative expenses for the twelve months ended December 31, 2016 increased by $135 thousand mainly due to the impact of regular salary increases.

Administrative expenses for the three months ended December 31, 2016 remained consistent with the prior year.

Plaza maintains a fully internalized structure and therefore incurs costs related to development and redevelopment activities. These costs are viewed by management as capital in nature and, therefore, not indicative of regular income producing activities. Plaza carries approximately $2.0 million per year, or $0.020 per unit per year, in these development/redevelopment costs included in administrative expenses and not otherwise capitalized for accounting purposes. Other real estate entities that are not development-oriented or not fully internalized for their development activities, would not incur this level of expenses or might otherwise be able to capitalize these costs for accounting purposes.

Acquisitions/Dispositions

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

During the year ended December 31, 2016, the Trust disposed of non-core former KEYreit income producing properties for net proceeds of $20.5 million in Aurora, ON, London, ON, Markham, ON, Toronto, ON, Mississauga, ON and Calgary, AB. As well, the Trust disposed of non-core former KEYreit income producing properties in Toronto, ON and Windsor, ON for net proceeds of $1.8 million, which were recorded as investment properties held for sale at December 31, 2015. The Trust also disposed of surplus land for net proceeds of $997 thousand in Fredericton, NB, Oromocto, NB and Coaticook, QC.
Since the completion of the acquisition of KEYreit on June 26, 2013 to December 31, 2016, the Trust has sold 65 non-core KEYreit income producing properties for gross proceeds of approximately $89.7 million, which is approximately $26.6 million more than the Trust underwrote these properties for when it acquired KEYreit.

PART III

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

(000s except per unit and percentage data) (unaudited)	Q4'16	Q3'16	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15
Total revenue [1]	$27,845	$28,453	$25,858	$25,873	$24,079	$25,434	$24,883	$27,458
Net property operating income	$15,656	$16,433	$15,279	$15,304	$15,293	$15,711	$15,016	$14,878
Profit and total comprehensive income	$9,574	$7,389	$11,335	$4,460	$5,036	$9,092	$8,217	$16,250
Distributions per unit	6.50¢	6.50¢	6.50¢	6.50¢	6.25¢	6.25¢	6.25¢	6.25¢
Funds from operations per unit – basic	8.7¢	9.2¢	7.5¢	8.0¢	9.3¢	8.5¢	7.5¢	8.0¢
Funds from operations per unit – diluted	8.6¢	9.1¢	7.5¢	8.0¢	9.3¢	8.5¢	7.5¢	8.0¢
Adjusted funds from operations per unit – basic	8.3¢	8.8¢	7.6¢	8.2¢	8.8¢	8.0¢	7.1¢	7.9¢
Adjusted funds from operations per unit – diluted	8.3¢	8.7¢	7.6¢	8.2¢	8.8¢	8.0¢	7.1¢	7.9¢
Distributions as a percentage of basic FFO	75.1%	70.8%	87.0%	83.2%	67.0%	73.7%	83.1%	78.4%
Distributions as a percentage of basic AFFO	78.2%	74.1%	86.0%	80.8%	70.8%	78.1%	88.0%	79.5%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**5,480**	5,475	5,412	5,434	5,415	5,286	5,295	5,193
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**95.9%**	95.9%	96.2%	95.9%	96.1%	96.8%	96.1%	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 or ability to predict.

Some of Plaza's leases have common cost recoveries from tenants linked to the consumer price index (CPI) or otherwise have caps on operating costs. At December 31, 2016, approximately 49.4% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (CAM) cost recoveries. As a result of all of these factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs as well as yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

PART IV

OPERATING LIQUIDITY AND WORKING CAPITAL

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

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

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

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

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Cash provided by operating activities[(1)]	**$ 8,796**	$ 9,579	**$ 32,916**	$ 27,449
Total distributions[(2)]	**(6,472)**	(5,884)	**(25,621)**	(23,507)
Excess of cash provided by operating activities over total distributions	**$ 2,324**	$ 3,695	**$ 7,295**	$ 3,942

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

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

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

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Operating and Development Facilities

(000s)	$30.0 Million Operating	$20.0 Million Development	$15.0 Million Development
December 31, 2015[1]	$ 26,486	$ 3,503	$ 7,899
Net Change	(13,924)	(678)	(3,824)
December 31, 2016[1]	$ 12,562	$ 2,825	$ 4,075
Interest rate	Prime + 0.75% or BA + 2.00%	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.00%
Maturity	July 31, 2018	July 31, 2017	July 31, 2018
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service & maximum leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	$0.5 million
Issued and outstanding	$1.0 million	-	-

(1) Excludes unamortized finance charges

Funding is secured by first mortgage charges on properties or development properties as applicable. The Trust must maintain certain financial ratios to comply with the facilities. As of December 31, 2016, all debt covenants in respect of the above facilities have been maintained.

Mortgage Bonds

Mortgage bonds are secured by either property or cash.

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

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

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

The Trust can redeem up to one-half of the Series X and XI mortgage bonds at par on the first and second anniversaries, being June 25, 2018 and June 25, 2019 for the Series X mortgage bonds, and July 8, 2017 and July 8, 2018 for the Series XI mortgage bonds.

Debentures

Convertible and non-convertible debentures are subordinate and unsecured. Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss.

On April 29, 2016, the Trust redeemed the $9.2 million outstanding 8% Series B convertible debentures.

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

On November 30, 2016, the Trust issued a redemption notice for the 7.0% Series C convertible debentures to be redeemed on January 9, 2017. During the year $1.75 million in Series C convertible debentures were converted into 333 thousand units and $198 thousand in cash. Between January 3-6, 2017, $12.9 million in Series C convertible debentures were converted to 2.45 million units and $1.5 million in cash. On January 9, 2017, the remaining $2.3 million in Series C convertible debentures were redeemed and paid out.

Mortgages

During 2016 the Trust obtained new long-term financing in the amount of $54.3 million (at Plaza's consolidated share) with a weighted average term of 9.6 years and a weighted average interest rate of 3.67%. The Trust acquired an additional $1.1 million in long-term financing as part of the acquisition of an additional 5.5% interest in the Village Shopping Centre.

The Trust has a $3.0 million variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.25% or BAs plus 2.50% and matures in August 2017. At December 31, 2016, $2.6 million has been drawn on the loan.

The Trust also has a $907 thousand variable rate secured construction loan/credit facility on another one of its redevelopment projects. The loan bears interest at prime plus 1.00% or BAs plus 2.50% and matures in December 2017. At December 31, 2016, $467 thousand has been drawn on the loan.

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

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 by year:

(000s, except percentage data)	**Year 1 2017**	**Year 2 2018**	**Year 3 2019**	**Year 4 2020**	**Year 5 2021**	**After 5 Years**	**Total**
Long-term mortgages due at maturity	$24,707	$15,276	$50,572	$64,379	$28,646	$191,070	$374,650
Construction loans	3,089	-	-	-	-	-	3,089
Development lines of credit	2,825	4,075	-	-	-	-	6,900
Bank operating facility	-	12,562	-	-	-	-	12,562
Total	$30,621	$31,913	$50,572	$64,379	$28,646	$191,070	$397,201
As a percentage	7.7%	8.1%	12.7%	16.2%	7.2%	48.1%	100.0%
Weighted average expiring rate on long-term mortgages	5.28%	4.95%	3.80%	4.75%	4.77%	4.34%	

The weighted average term to maturity for the long-term mortgages is 6.4 years. The average remaining repayment (amortization) period on long-term mortgage debt is 24.1 years.

The ratio of debt to gross book assets at December 31, 2016 (excluding convertible debentures) is 47.7% compared to 50.5% at December 31, 2015. Including convertible debentures at cost, Plaza's debt to gross assets at December 31, 2016 is 53.0% compared to 56.4% at December 31, 2015. The ratios are down compared to the prior year, partly as a result of the equity offering and resultant reduction of debt and debentures. The Trust's general philosophy is to maintain its leverage at no more than approximately 50% excluding convertible debentures and approximately 55% including convertible debentures. By its Declaration of Trust, Plaza is limited to an overall indebtedness ratio of 60% excluding convertible debentures and 65% including convertible debentures.

Units Outstanding

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

At February 23, 2017 (000s)	Units
Current outstanding units	**100,990**
Class B exchangeable LP units	**1,319**
Series D convertible debentures	**5,913**
Series VII convertible debentures	**911**
Total adjusted units outstanding	**109,133**

Land Leases

Return on invested cash or equity is a measure Plaza uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall unitholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plaza has 26 long-term land leases (affecting 25 properties) with total annual rent of $3.2 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9.3% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options. Of the 26 land leases, 10 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

(000s)	**3 Months Ended December 31, 2016 (unaudited)**	3 Months Ended December 31, 2015 (unaudited)	**12 Months Ended December 31, 2016**	12 Months Ended December 31, 2015
Leasing commissions – existing properties	**$ 153**	$ 140	**$ 354**	$ 390
Leasing commissions – developments	**47**	33	**440**	190
Total leasing commissions	**200**	173	**794**	580
Capital additions – existing properties	**714**	853	**1,850**	2,811
Capital additions – developments	**4,926**	12,356	**30,182**	60,633
Total capital additions	**5,640**	13,209	**32,032**	63,444
Total gross additions	**$ 5,840**	$ 13,382	**$ 32,826**	$ 64,024

COMMITMENTS AND CONTINGENT LIABILITIES

The Trust has $7.1 million in short-term commitments in respect of development activities. Management believes that Plaza has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments. The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of properties where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2016 totals $5.5 million with a weighted average remaining term of 6.1 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $18.4 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of $554 thousand. This amount is subject to cross-guarantees by the other co-owners.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At December 31, 2016, the Trust held interests in 298 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 24 to the December 31, 2016 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 23, 2016 for a complete list of risks and uncertainties.

Interest Rate, Financing and Refinancing Risk

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

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used on its operating line of credit and for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The Trust mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. At existing financing rates, the Trust is able to obtain positive returns from debt financing. The quality of the Trust's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Trust has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management believes that all debts maturing in 2017 or properties needing long term financing in 2017 will be able to be financed or refinanced as they come due.

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

Credit Risk

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

Currently one tenant, Shoppers Drug Mart, represents 25.4% of current monthly base rents in place, while franchisees of KFC represent 9.0%. The top 10 tenants collectively represent approximately 57.9% of current monthly base rents in place. National and regional tenants represent 94.7% of the in-place tenant base.

Lease Roll-Over and Occupancy Risk

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

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

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

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately $673 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes. Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

Development and Acquisition Risk

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

Environmental Risk

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

Status of the REIT

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

PART VI

RELATED PARTY TRANSACTIONS

Notes Payable to Related Parties

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

(000s)	**December 31, 2016**	December 31, 2015
Non-interest bearing notes:		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and Trustee of the Trust	**$ 261**	$ 261

Bonds and Debentures Held

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

(000s)	**December 31, 2016**	December 31, 2015
Earl Brewer	**$ 125**	$ 219
Edouard Babineau	**150**	250
Michael Zakuta	**100**	250
Stephen Johnson	**100**	-
Total	**$ 475**	$ 719

Other Related Party Transactions

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At December 31, 2016 there is $120 thousand owed by the Gateway Mall to some of the owners of the mall. The pro rata amount owed to the Trust is $30 thousand. As well, there is a $5 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2016, property management and leasing fees of $76 thousand were earned by a subsidiary of the Trust from this property.

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

Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. For the twelve months ended December 31, 2016, property management, leasing and development fees of $112 thousand were earned by a subsidiary of the Trust from this property.

In October 2016, the Trust sold land in Fredericton, NB for gross proceeds of $760 thousand. The land was sold to an entity controlled by Earl Brewer and Michael Zakuta for a residential project. The independent trustees of the Trust reviewed and approved this transaction.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design and operating effectiveness of the Trust's DC&P and ICFR at December 31, 2016. Based on that evaluation they determined that the Trust's DC&P and ICFR were appropriately designed and were operating effectively based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the year ended December 31, 2016, there were no changes in the Trust's ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

CRITICAL ACCOUNTING POLICIES

Critical Accounting Estimates

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

(i) Investment properties

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

FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing the Consolidated Financial Statements. Please see Note 3 to the Consolidated Financial Statements for further details about future accounting policy changes.

ADDITIONAL INFORMATION

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

PROPERTIES OF THE TRUST

A chart listing the Trust's properties at December 31, 2016 can be accessed on Plaza's website at www.plaza.ca.

APPENDIX A

FOURTH QUARTER 2016 INCOME RESULTS

Consolidated Statements of Comprehensive Income

(000s) (unaudited)	3 Months Ended December 31, 2016	3 Months Ended December 31, 2015
Revenues	**$ 25,241**	$ 24,337
Operating expenses	**(9,585)**	(9,044)
Net property operating income	**15,656**	15,293
Share of profit (loss) of associates	**1,861**	(2,023)
Administrative expenses	**(1,990)**	(2,041)
Investment income	**215**	85
Other income	**528**	1,680
Income before finance costs, fair value adjustments and income taxes	**16,270**	12,994
Finance costs	**(6,626)**	(7,083)
Finance costs – net change in fair value of convertible debentures	**1,274**	(16)
Finance costs – net change in fair value of Class B exchangeable LP units	**316**	(355)
Finance costs – net change in fair value of interest rate swap and bond forward	**137**	(41)
Net change in fair value of investment properties	**(1,570)**	239
Profit before income tax	**9,801**	5,738
Income tax recovery (expense)		
- Current	**(48)**	30
- Deferred	**(179)**	(732)
	(227)	(702)
Profit and total comprehensive income for the period	**$ 9,574**	$ 5,036
Profit and total comprehensive income for the period attributable to:		
- Unitholders	**$ 9,535**	$ 4,740
- Non-controlling interests	**39**	296
	$ 9,574	$ 5,036

To the Unitholders of Plaza Retail REIT

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

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

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

Michael Zakuta	Floriana Cipollone
President and CEO	Chief Financial Officer
February 23, 2017	February 23, 2017

KPMG LLP

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Plaza Retail REIT

We have audited the accompanying consolidated financial statements of Plaza Retail REIT, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Plaza Retail REIT as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
February 23, 2017
Fredericton, Canada

Plaza Retail REIT

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

	December 31, 2016	December 31, 2015
Assets		
Non-Current Assets		
Investment properties (Note 5)	**$ 959,889**	$ 945,757
Investments (Note 6)	**46,551**	40,599
Tenant loans	**846**	1,299
Deferred income tax asset (Note 15)	**126**	237
Total non-current assets	**1,007,412**	987,892
Current Assets		
Cash	**5,182**	2,744
Receivables (Note 7)	**3,542**	3,497
Prepaid expenses and deposits (Note 8)	**2,518**	3,560
Investments (Note 6)	**99**	19,211
Tenant loans	**469**	499
Notes receivable (Note 9)	**10,578**	4,684
Investment properties held for sale (Note 5)	**92**	1,800
Total current assets	**22,480**	35,995
Total assets	**$ 1,029,892**	$ 1,023,887
Liabilities and Unitholders' Equity		
Non-Current Liabilities		
Debentures payable (Note 10)	**$ 44,093**	$ 55,242
Mortgage bonds payable (Note 11)	**11,843**	8,887
Mortgages payable (Note 12)	**414,839**	407,420
Class B exchangeable LP units (Note 17)	**6,595**	6,199
Deferred income tax liability (Note 15)	**7,217**	6,076
Total non-current liabilities	**484,587**	483,824
Current Liabilities		
Current portion of debentures payable (Note 10)	**16,079**	9,248
Bank indebtedness (Note 13)	**12,562**	26,486
Current portion of mortgage bonds payable (Note 11)	**2,905**	5,874
Current portion of mortgages payable (Note 12)	**45,005**	63,882
Accounts payable, accrued liabilities, tenant payables and tenant deposits	**15,821**	13,106
Notes payable (Note 14)	**1,190**	1,175
Mortgages payable on investment properties held for sale (Note 12)	**-**	742
Total current liabilities	**93,562**	120,513
Total liabilities	**578,149**	604,337
Unitholders' equity	**447,805**	415,665
Non-controlling interests	**3,938**	3,885
Total unitholders' equity	**451,743**	419,550
Total liabilities and unitholders' equity	**$ 1,029,892**	$ 1,023,887

Contingencies, commitments, guarantees, indemnities, litigation and provisions – see Note 23
Subsequent events – see Note 26

B Trenholm
Barbara Trenholm, Trustee

Earl Brewer, Trustee

The notes on pages 41 to 70 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	**2016**	2015
Revenues	**$ 100,215**	$ 96,050
Operating expenses (Note 16)	**(37,543)**	(35,152)
Net property operating income	**62,672**	60,898
Share of profit of associates	**5,181**	2,422
Administrative expenses (Note 16)	**(8,807)**	(8,672)
Investment income	**711**	340
Other income	**1,922**	3,042
Income before finance costs, fair value adjustments and income taxes	**61,679**	58,030
Finance costs	**(27,379)**	(27,614)
Finance costs - net change in fair value of convertible debentures (Note 10)	**(1,256)**	1,042
Finance costs - net change in fair value of Class B exchangeable LP units (Note 17)	**(396)**	(804)
Finance costs - net change in fair value of interest rate swap and bond forward (Note 12 and 24)	**(154)**	(206)
Net change in fair value of investment properties (Note 5)	**1,648**	9,592
Profit before income tax	**34,142**	40,040
Income tax expense		
- Current	**(132)**	(77)
- Deferred	**(1,252)**	(1,368)
	(1,384)	(1,445)
Profit and total comprehensive income	**$ 32,758**	$ 38,595
Profit and total comprehensive income attributable to:		
- Unitholders	**$ 32,631**	$ 38,054
- Non-controlling interests	**127**	541
	$ 32,758	$ 38,595

The notes on pages 41 to 70 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 17)	Retained Earnings	Total Attributable to Unitholders	Non-Controlling Interests	Total Equity
Balance as at December 31, 2014	$ 231,974	$ 164,269	$ 396,243	$ 11,143	$ 407,386
Acquisition of non-controlling interests (Note 4)	-	3,295	3,295	(7,626)	(4,331)
Profit and total comprehensive income	-	38,054	38,054	541	38,595
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	1,250	-	1,250	-	1,250
- Distributions to unitholders (Note 19)	-	(23,177)	(23,177)	-	(23,177)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(173)	(173)
Balance as at December 31, 2015	$ 233,224	$ 182,441	$ 415,665	$ 3,885	$ 419,550
Profit and total comprehensive income	-	32,631	32,631	127	32,758
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	1,376	-	1,376	-	1,376
- Contributions by unitholders – public offering, net of issue costs	21,674	-	21,674	-	21,674
- Units issued through debt conversion	1,737	-	1,737	-	1,737
- Distributions to unitholders (Note 19)	-	(25,278)	(25,278)	-	(25,278)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(74)	(74)
Balance as at December 31, 2016	**$ 258,011**	**$ 189,794**	**$ 447,805**	**$ 3,938**	**$ 451,743**

The notes on pages 41 to 70 are an integral part of these consolidated financial statements.

Plaza Retail REIT

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	2016	2015
Cash obtained from (used for):		
Operating activities		
Profit and total comprehensive income	**$ 32,758**	$ 38,595
Items not affecting cash:		
Finance costs	**27,379**	27,614
Share of profit of associates	**(5,181)**	(2,422)
Net change in fair value of investment properties	**(1,648)**	(9,592)
Net change in fair value of convertible debentures	**1,256**	(1,042)
Net change in fair value of Class B exchangeable LP units	**396**	804
Net change in fair value of interest rate swap and bond forward (Note 12 and 24)	**154**	206
Current and deferred income taxes	**1,384**	1,445
Straight-line rent revenue	**(412)**	(106)
Interest paid	**(26,158)**	(26,492)
Income taxes paid	**(152)**	(121)
Distributions from equity accounted investments (Note 6)	**1,180**	811
Leasing commissions	**(794)**	(580)
Change in non-cash working capital (Note 20)	**2,754**	(1,671)
	32,916	27,449
Financing activities		
Issuance of units from public offering, net of issue costs	**21,674**	-
Cash paid on conversion of debentures	**(197)**	-
Distributions paid to unitholders (Note 19)	**(25,278)**	(23,177)
Distributions paid to Class B exchangeable LP unitholders	**(343)**	(330)
Distribution reinvestment proceeds (Note 17)	**1,358**	1,124
Cash received on acquisition (Note 4)	**-**	840
Gross proceeds of mortgage bonds and debentures	**11,500**	9,860
Finance charges incurred for bonds and debentures	**(164)**	(166)
Redemption/repayment of mortgage bonds and debentures	**(15,100)**	(4,000)
Gross mortgage proceeds	**67,106**	118,127
Fees incurred for placement of mortgages	**(672)**	(800)
Loan defeasance expenses and early mortgage discharge fees paid	**(462)**	(1,160)
Mortgages repaid	**(69,077)**	(48,129)
Bridge facility repayments	**-**	(27,600)
Periodic mortgage principal repayments	**(10,185)**	(9,456)
Bonds purchased for mortgage defeasances (Note 6)	**-**	(16,858)
Redemptions of bonds purchased for mortgage defeasances (Note 6)	**19,211**	6,285
Increase in notes payable	**15**	-
	(614)	4,560
Investing activities		
Acquisitions, developments and redevelopments	**(32,032)**	(63,444)
Net proceeds from disposal of investment properties and land (Note 5(f))	**21,491**	13,528
Net proceeds from disposal of investment properties and land on properties previously classified as held for sale (Note 5(g))	**1,800**	-
Advances to equity accounted investments for developments (Note 6)	**(2,050)**	(8,712)
Contributions paid by subsidiaries to non-controlling interests	**(74)**	(173)
Decrease in deposits for acquisitions and financings (Note 8)	**336**	2,059
Decrease (increase) in notes receivable	**(5,894)**	228
Issuance of tenant loans	**(16)**	-
Repayment of tenant loans	**499**	548
	(15,940)	(55,966)
Net increase (decrease) in cash	**16,362**	(23,957)
Cash less bank indebtedness, beginning of the year	**(23,742)**	215
Cash less bank indebtedness, end of the year	**$ (7,380)**	$ (23,742)

The notes on pages 41 to 70 are an integral part of these consolidated financial statements.

1. Reporting Entity

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

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 23, 2017.

(b) Basis of Measurement

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

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

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

(c) Use of Estimates and Judgments

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

(i) Investment property

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

3. Summary of Significant Accounting Policies

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

(a) General and Consolidation

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

(i) Subsidiaries

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

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

(ii) Associates and joint ventures

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

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

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

(iii) Joint operations

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

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

(b) Investment Properties

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

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

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

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

Investment properties are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing use. The asset is classified as such, only when management has committed to a plan to sell, when the sale is probable and is expected to qualify for recognition as a completed sale within one year. Investment properties classified as held for sale are recorded at fair value less costs of disposal. Any difference between the existing fair value and the calculated fair value less costs of disposal, at the time the asset is reclassified, is recorded through change in fair value.

(c) Capitalization of Costs

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

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

(d) Revenue Recognition

(i) Rental revenue

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

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

(ii) Straight-line rent

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

(e) Income Taxes

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

(f) Cash

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

(g) Unit-based Payments

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

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

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

(h) Investments

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

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

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

(i) Financial Instruments

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

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

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

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

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

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

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

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

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

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

(iii) Held-to-maturity financial assets

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

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

(iv) Loans and receivables

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

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

(v) Available-for-sale financial assets

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

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

(vi) Other financial liabilities

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

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

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

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

(vii) Trust Units

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

(j) Derivative Financial Instruments

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

(k) Leasing Costs

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

(l) Finance Costs

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

(m) Changes in Accounting Policies

(i) Annual Improvements to IFRS

Narrow-scope amendments were made to clarify the following in their respective standards: changes in method for disposal under IFRS 5, "Non-current assets held for sale and discontinued operations"; and disclosure of information 'elsewhere in the interim financial report' under IAS 34, "Interim financial reporting". The amendments became effective on January 1, 2016. The adoption of these changes did not have a significant impact on the Trust's financial statements.

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

On May 16, 2014 the IASB issued "Accounting for Acquisitions of Interests in Joint Operations" (amendments to IFRS 11). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The adoption of these changes did not have an impact on the Trust's financial statements.

(iii) Presentation of Financial Statements

The Trust implemented the amendments to IAS 1, "Presentation of financial statements" effective January 1, 2016. The adoption of these changes did not have a significant impact on the Trust's financial statements.

(n) Future Changes in Accounting Policies

(i) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. The Trust will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Trust does not expect the amendments to have a material impact on the financial statements.

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

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

(iii) Transfer of Investment Property (Amendments to IAS 40)

The amendments clarify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred and the list of circumstances of when a change in use has occurred is non-exhaustive. The Trust intends to adopt the amendments to IAS 40 in its financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the amendments to have a material impact on the financial statements.

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

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

(v) Revenue from Contracts with Customers

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

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

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

(vi) Financial Instruments

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

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

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

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

(vii) Leases

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

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

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

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

The Trust intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of this standard has not yet been determined.

(viii) Annual Improvements to IFRS Standards (2014-2016) Cycle

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvement process. Amendments were made to the following standards:

- Clarification that IFRS 12 *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;

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

- Removal of out-dated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Trust intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2017 or 2018 as applicable. The Trust does not expect the amendments to have a material impact on the financial statements.

4. Acquisition of Equity Partners' Interests

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

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

The net purchase price, after the assumption of debt, was $6.1 million, which was satisfied through the issuance of 1,319,000 Class B exchangeable LP units (Note 17) of a subsidiary LP at $4.60 per unit, which are exchangeable at any time into units of the Trust on a one-for-one basis. On the closing date, the market price of the Trust's units was $4.09 and the difference between the amount by which non-controlling interests are adjusted and the fair value of consideration paid was recognized in equity, as follows:

Fair value of non-controlling interests acquired	$ 8,007
Less: issuance of 1,152,000 Class B exchangeable LP units	(4,712)
Increase in retained earnings on January 1, 2015	$ 3,295

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

Fair value of net assets acquired:	
Investment property	$ 3,299
Cash	840
Receivables	13
Prepaid expenses and deposits	2
Mortgage payable	(2,248)
Notes payable	(97)
Accounts payable and accrued liabilities	(623)
Non-controlling interest	(503)
Total net assets acquired on January 1, 2015	$ 683

Purchase price satisfied by:	
Issuance of 167,000 Class B exchangeable LP units effective January 1, 2015	$ 683

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

5. Investment Properties

	December 31, 2016	December 31, 2015
Balance, beginning of the year:	**$ 945,757**	$ 889,291
Additions (deductions):		
Additions to investment properties	**18,586**	32,832
Acquisition of controlling interest of University Plaza (Note 4)	**-**	3,299
Additions – acquisitions of investment properties and land	**15,122**	31,962
Disposals	**(21,491)**	(19,504)
Investment properties held for sale	**(92)**	(1,800)
Straight line rent receivable change	**359**	85
Change in fair value(1)	**1,648**	9,592
Balance, end of the year:	**$ 959,889**	$ 945,757

(1) The change in fair value includes $895 thousand (December 31, 2015 – nil) related to properties where the Trust has a 20% ownership interest and a 50% economic interest above its invested capital.

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

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

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, $281 million of investment properties were based on such external appraisals (December 31, 2015 - $164 million).

(ii) Internal approach - direct capitalization income approach

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

As at December 31, 2016 the Trust has utilized the following range of capitalization rates:

	Number of Properties(1)	**Weighted average capitalization rates**	**Primary Market**	**Secondary Market**
Freestanding or Mini Box	68	6.45%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	121	7.30%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	14	7.11%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	30	6.97%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.66%	6.00% - 9.00%	6.50% - 11.00%
Enclosed Malls – Community	4	7.79%	7.50% - 9.50%	7.50% - 11.00%
	275	7.03%		

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

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.

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

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

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

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

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

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

At December 31, 2016 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $34.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $32.5 million.

As at December 31, 2015 the Trust utilized the following range of capitalization rates:

	Number of Properties[1]	**Weighted average capitalization rates**	**Primary Market**	**Secondary Market**
Freestanding or Mini Box	67	6.45%	5.50% - 8.00%	5.75% - 9.00%
Quick Service Restaurant	136	7.15%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	16	7.04%	6.00% - 8.25%	6.50% - 9.00%
Anchored Strip – Class B	26	6.92%	6.25% - 8.50%	7.00% - 10.00%
Unanchored Strip	35	7.90%	6.00% - 9.00%	6.50% - 10.00%
Enclosed Malls – Community	5	7.85%	7.50% - 9.50%	7.50% - 11.00%
	285	7.04%		

[1] Excludes certain properties under development and non-consolidated trusts and partnerships.

(a) Straight-line Rent

Included in investment properties at December 31, 2016 is $12.3 million (December 31, 2015 - $11.9 million) of straight line rents receivable arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, "Leases".

(b) Surplus Land

Included in investment properties at December 31, 2016 is $3.6 million of surplus lands at fair value (December 31, 2015 - $4.0 million).

(c) Properties under Development

Included in investment properties at December 31, 2016 is $48.0 million of properties under development/redevelopment (December 31, 2015 - $39.0 million).

(d) Borrowing Costs

The total amount of borrowing costs capitalized for the year ended December 31, 2016 is $126 thousand (for the year ended December 31, 2015 - $335 thousand).

(e) Acquisitions

During the year ended December 31, 2016, the Trust acquired an additional 5.5% interest in the Village Shopping Centre in St. John's, NL for $2.7 million. The Trust now owns 50.0% of this property. The Trust also acquired a 50.0% interest from an arms-length party in three properties located in Miramichi, NB, Cornwall, ON and New Liskeard, ON for $11.5 million. As consideration for the acquisition the Trust paid cash of $750 thousand, issued a vendor take back interest-only mortgage secured by one of the properties of $5.25 million bearing interest at 5.00% per annum with a seven year term, and issued $5.5 million, 5.50% Series VII convertible debentures (see Note 10). The vendor take back mortgage is repayable at any time without penalty. Closing costs associated with the acquisition were $155 thousand. The Trust also acquired land for development in Saint John, NB for $757 thousand.

During the year ended December 31, 2015, the Trust acquired land and building for re-development in Kenora, ON and in Midland, ON for $16.3 million. On September 30, 2015, the Trust sold an 80% interest in these two properties (see Note 5(f)). The Trust also acquired land and building in Moncton, NB for $4.0 million, Charlottetown, PE for $5.1 million, and in Sherbrooke, QC for $4.4 million. Land for development was acquired in Corner Brook, NL for $1.0 million and in Charlottetown, PE for $1.1 million.

(f) Disposals

During the year ended December 31, 2016, the Trust disposed of income producing properties for net proceeds of $20.5 million in Aurora, ON, Calgary, AB, London, ON, Markham, ON, Toronto, ON and Mississauga, ON. As well, the Trust disposed of income producing properties in Toronto, ON and Windsor, ON for net proceeds of $1.8 million, which were recorded as investment properties held for sale at December 31, 2015 (see Note 5(g) below). The Trust also disposed of surplus land for net proceeds of $997 thousand in Fredericton, NB, Oromocto, NB and Coaticook, QC.

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

(g) Investment Properties held for Sale

The Trust has segregated investment properties held for sale of $92 thousand for land located in Kenora, ON at December 31, 2016 (December 31, 2015 - $1.8 million in Toronto, ON and Windsor, ON).

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

6. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	December 31, 2016	December 31, 2015
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	**$ 11,853**	$ 9,625
Trois Rivières Limited Partnership	15%	10%	30%	**2,775**	2,329
Plazacorp-Shediac Limited Partnership	10%	8%	50%	**1,557**	1,463
VGH Limited Partnership	20%	8%	27%	**4,128**	2,785
Plazacorp Ontario1 Limited Partnership	25%	4%	25%	**2,221**	2,174
Plazacorp Ontario2 Limited Partnership	50%	-	-	**3,495**	3,288
Plazacorp Ontario3 Limited Partnership	50%	-	-	**2,119**	2,038
Plazacorp Ontario4 Limited Partnership	50%	-	-	**1,951**	1,711
RBEG Limited Partnership	50%	-	-	**2,716**	2,329
CPRDL Limited Partnership	50%	-	-	**2,258**	2,148
Fundy Retail Ltd.	50%	-	-	**913**	697
Ste. Hyacinthe Limited Partnership	25%	-	-	**174**	169
The Shoppes at Galway Limited Partnership	50%	-	-	**9,226**	8,596
				45,386	39,352
Fair Value Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	**1,165**	1,148
				46,551	40,500
Held-to-Maturity Investments	**Maturity Date**	**Weighted Average Rate**			
Bonds and cash – substituted for mortgage security	Aug 1/17	7.0%		**99**	19,310
Total investments				**46,650**	59,810
Less: Current portion of investments				**(99)**	(19,211)
Investments – long-term portion				**$ 46,551**	$ 40,599

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

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

Held-to-maturity investments at December 31, 2016 include investments that are made up of mortgage bonds totaling $99 thousand with a yield of 7% (December 31, 2015 - $99 thousand with a yield of 7% and Government of Canada Bonds totalling $19.1 million with yields which were between 1.25% and 3.00%).

For the year ended December 31, 2016 the Trust received $1.2 million of distributions (for the year ended December 31, 2015 - $811 thousand) from equity accounted investments. For the year ended December 31, 2016 the Trust made $2.1 million in contributions (for the year ended December 31, 2015 - $8.7 million) to its equity accounted investments. Of the $2.1 million contribution, $1.6 million relates to the purchase of a new development property within Centennial Plaza Limited Partnership.

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

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

	December 31, 2016		December 31, 2015	
	Equity accounted investments	**Fair value accounted investments**	Equity accounted investments	Fair value accounted investments
Cash	**$ 3,909**	**$ 495**	$ 3,773	$ 717
Current assets	**$ 711**	**$ 135**	$ 1,226	$ 611
Long term assets	**$ 286,838**	**$ 42,353**	$ 264,200	$ 42,633
Current liabilities	**$ 2,458**	**$ 219**	$ 1,402	$ 235
Long term liabilities	**$ 142,260**	**$ 29,789**	$ 132,673	$ 30,755
Revenues	**$ 20,510**	**$ 3,400**	$ 18,566	$ 3,264
Expenses	**$ (12,298)**	**$ (3,067)**	$ (11,370)	$ (3,327)
Fair value gain (loss)	**$ 5,337**	**$ (9)**	$ (1,370)	$ (915)
Profit (loss)	**$ 13,549**	**$ 324**	$ 5,826	$ (978)

7. Receivables

Receivables consist of the following:

	December 31, 2016	December 31, 2015
Tenant accounts receivable, net of allowance	**$ 1,417**	$ 1,356
Excise tax	**1,007**	1,364
Other receivables	**1,063**	738
Income taxes receivable	**55**	39
Total receivables	**$ 3,542**	$ 3,497

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis taking into consideration lease terms, industry conditions and status of the tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance at December 31, 2016 is $138 thousand (December 31, 2015 - $250 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the year ended December 31, 2016 (for the year ended December 31, 2015 – nil).

8. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2016	December 31, 2015
Prepaid expenses	**$ 2,367**	$ 2,346
Deposits for acquisitions and financings	**104**	440
Restricted deposits, primarily property tax escrows under mortgage agreements	**47**	774
Total prepaid expenses and deposits	**$ 2,518**	$ 3,560

9. Notes Receivable

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

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

10. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	December 31, 2016	December 31, 2015
Convertible[1]				
Series B		8.00%	**$ -**	$ 9,248
Series C	December 31, 2017	7.00%	**16,079**	17,598
Series D	December 31, 2018	5.75%	**34,510**	33,660
Series VII	June 30, 2021	5.50%	**5,583**	-
Total convertible debentures			**56,172**	60,506
Non-convertible[2] [3]	Various (see below)	5.00%	**4,000**	3,984
Total debentures payable			**60,172**	64,490
Less: current portion of debentures payable			**(16,079)**	(9,248)
Debentures payable – long-term portion			**$ 44,093**	$ 55,242

(1) Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2016 was a loss of $1.3 million (2015 – gain of $1.1 million)
(2) Recorded at amortized cost
(3) Net of unamortized finance charges of nil (December 31, 2015 - $16 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series C	Series D	Series VII
Conversion price	see below	$5.75	$6.04
Trust's first redemption	December 31, 2015	December 31, 2016	June 30, 2019
Par call date	December 31, 2016	December 31, 2017	June 30, 2020
Maturity date	December 31, 2017	December 31, 2018	June 30, 2021
Face value outstanding	$15,169	$34,000	$5,500
Publicly listed	yes	yes	no

Non-convertible debenture maturities are as follows:

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

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

On March 24, 2016, the Trust issued a redemption notice for Series B convertible debentures. The $9.2 million outstanding Series B convertible debentures were redeemed on April 29, 2016.

On June 15, 2016, $5.5 million in Series VII convertible debentures were issued as part of the financing to acquire a 50.0% interest in three properties (see Note 5(e)).

On November 30, 2016, the Trust issued a redemption notice for the 7.0% Series C convertible debentures to be redeemed on January 9, 2017. During the year $1.75 million in Series C convertible debentures were converted into 333 thousand units and $198 thousand in cash.

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

11. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

	Series V	Series VI	Series VII	Series IX	Series X	Series XI	**December 31, 2016 Total**	December 31, 2015 Total
Boulevard Hebert Plaza, Edmundston, NB, 1st mortgage	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**	$ 1,185
Fairville Boulevard (ANBL), Saint John, NB, 1st mortgage	-	-	-	-	-	-	**-**	900
Lansdowne redevelopment lands, Saint John, NB, 1st mortgage	-	-	-	-	-	-	**-**	3,860
Various properties, 1st mortgage	-	-	-	3,000	-	-	**3,000**	3,000
Torbram Rd., Brampton, ON, 1st mortgage	-	-	-	-	6,000	-	**6,000**	6,000
Various properties, 1st mortgage	-	-	-	-	-	6,000	**6,000**	-
Gross mortgage bonds payable	-	-	-	3,000	6,000	6,000	**15,000**	14,945
Less: unamortized finance charges							**(252)**	(184)
Less: current portion of mortgage bonds payable							**(2,905)**	(5,874)
Net mortgage bonds payable – long-term portion							**$ 11,843**	$ 8,887

	Series IX	**Series X**	**Series XI**
Interest Rate	5.50%	5.00%	5.00%
Maturity Date	July 15, 2017	June 25, 2020	July 8, 2019
Amount	$3,000	$6,000	$6,000

In February 2016, the $900 thousand Series VI mortgage bonds matured and were repaid.

In June 2016, the $1,185 thousand Series V mortgage bonds matured and were repaid.

In August 2016, the $3,860 thousand Series VII mortgage bonds matured and were repaid.

On July 8, 2016 and August 15, 2016, the Trust issued a total of $6.0 million Series XI floating mortgage bonds.

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

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

The Trust can redeem up to one-half of the Series X and XI mortgage bonds at par on the first and second anniversaries, being June 25, 2018 and June 25, 2019 for the Series X mortgage bonds, and July 8, 2017 and July 8, 2018 for the Series XI mortgage bonds.

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

12. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	December 31, 2016	December 31, 2015
Fixed rate loans:	2.47% - 7.29%	4.67%	Up to June 2034	**$ 452,231**	$ 460,506
Fair value of interest rate swap				**357**	440
Fair value of bond forward for future long-term mortgage				**-**	131
Revaluation of loans upon acquisition of KEYreit, net of amortization of $5,619 (December 31, 2015 - $5,259)				**415**	775
Less: unamortized finance charges				**(3,024)**	(3,250)
Total net fixed rate loans				**449,979**	458,602
Variable rate loans:					
- $20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2017	**2,825**	3,503
- $15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2018	**4,075**	7,899
- $3.0 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		August 26, 2017	**2,622**	1,632
- $907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		December 16, 2017	**467**	467
Less: unamortized finance charges				**(124)**	(59)
Total net variable rate loans				**9,865**	13,442
Net mortgages payable				**459,844**	472,044
Less: mortgages payable for investment properties held for sale				**-**	(742)
Less: mortgages payable – current portion				**(45,005)**	(63,882)
Total mortgages payable – long-term portion				**$ 414,839**	$ 407,420

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

To fund development activities the Trust has two revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a $20.0 million facility that bears interest at prime plus 0.75% or BAs plus 2.25%, and the other is a $15.0 million facility that bears interest at prime plus 0.75% or BAs plus 2.00%. At December 31, 2016 there is $28.1 million available on these development facilities (December 31, 2015 - $23.6 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, 2016 the Trust is in compliance with all financial covenants.

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

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

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

13. Bank Indebtedness

The Trust has a $30.0 million (December 31, 2015 - $30.0 million) operating line of credit facility with a Canadian chartered bank at the rate of prime plus 0.75% or BAs plus 2.00%, maturing July 31, 2018. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at December 31, 2016, the available limit was $30.0 million. At December 31, 2016, there was $12.6 million (December 31, 2015 – $26.5 million) drawn on the facility and therefore the maximum amount available to be drawn on the facility was $16.4 million (December 31, 2015 – $3.0 million), net of letters of credit outstanding of $1.0 million (December 31, 2015 - $532 thousand). As security, at December 31, 2016, the Trust has provided a $50.0 million demand debenture secured by a first mortgage over twenty-three properties.

14. Notes Payable

Notes payable consist of the following:

	Interest Rate	December 31, 2016	December 31, 2015
Non-interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Trustee of the Trust [1]	n/a	**$ 261**	$ 261
Unrelated parties and non-controlling interests	n/a	**929**	914
Total notes payable		**$ 1,190**	$ 1,175

[1] The notes are repayable on sale or refinancing of the related asset

15. Income Taxes

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

Where an entity does not qualify as a REIT for Canadian income tax purposes, certain distributions will not be deductible by that entity in computing its income for Canadian tax purposes. As a result, the entity will be subject to tax at a rate substantially 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, 2016	December 31, 2015
Deferred income tax assets		
Tax loss carry-forwards of subsidiaries	**$ 126**	$ 237
Deferred income tax liabilities		
Income producing properties	**7,217**	6,076
Net deferred income tax liability	**$ 7,091**	$ 5,839

16. Employee Salaries and Benefits

Total employee salaries and benefits paid by the Trust during the year were $10.4 million, of which $4.0 million is included in operating expenses, $5.9 million is included in administrative expenses, and $0.5 million has been capitalized to income producing properties (for the year ended December 31, 2015 - $9.7 million, of which $3.5 million is in operating expenses, $5.7 million is in administrative expenses and $0.5 million is in income producing properties).

17. Unitholders' Equity

(a) Authorized

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

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

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

(b) Issued and Outstanding

(i) Class B Exchangeable LP Units

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

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

	December 31, 2016		December 31, 2015	
	Units (000s)	**Amount**	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the year	**1,319**	**$ 6,199**	-	$ -
Exchangeable LP units issued during the year	**-**	**-**	1,319	5,395
Fair value adjustment for the year	**-**	**396**	-	804
Exchangeable LP units outstanding, end of the year	**1,319**	**$ 6,595**	1,319	$ 6,199

(ii) Special Voting Units

At December 31, 2016, there were 1,319,000 special voting units outstanding, issued in connection with 1,319,000 Class B exchangeable LP units of a subsidiary of the Trust (see Note 4 and above).

(iii) Units

	December 31, 2016		December 31, 2015	
	Trust Units (000s)	**Amount**	Trust Units (000s)	Amount
Units outstanding, beginning of the year	**92,858**	**$ 233,224**	92,564	$ 231,974
Issuance of units:				
Units issued through public offering, net of issue costs	**5,003**	**21,674**	-	-
Units issued through distribution reinvestment plan	**290**	**1,358**	267	1,124
Units issued through RSU plan	**4**	**18**	27	126
Units issued through convertible debenture conversions (Note 10)				
- face value debentures	**333**	**1,554**	-	-
- impact of fair value of convertible debentures		**183**	-	-
Units outstanding, end of the year	**98,488**	**$ 258,011**	92,858	$ 233,224

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, 2016 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan ("DRIP") to enable Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the DRIP are issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also receive "bonus units" in an amount equal to 3% of the distribution amount reinvested.

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

18. Restricted Share Unit Plan and Deferred Unit Plan

The Trust has a Restricted Share Unit Plan ("RSU Plan") to enable the Trust to reward senior management and employees for their sustained contributions and to assist in attracting, retaining and motivating senior management and employees of the Trust. Restricted Share Units ("RSUs") may be granted from time to time on a discretionary basis by the Administrator (the Corporate Governance and Compensation Committee of the Board of Trustees). Each RSU notionally represents a unit in the Trust. Each RSU credited to a participant shall receive a distribution of additional RSUs equal to the amount of distributions paid per unit by the Trust on its units ("Distribution RSUs"). The number of Distribution RSUs to be issued for each distribution payment will be equal to the aggregate amount of such distribution payable to a participant on his or her RSUs divided by the volume weighted average closing price of units for the five trading days immediately preceding such applicable day. The Distribution RSUs vest immediately and are redeemed by the participant in either cash or units, net of any applicable withholding taxes. The RSUs vest as follows: one-third of a given award on the first anniversary of the grant date, one-third on the second anniversary of the grant date and the balance on the third anniversary of the grant date. Upon vesting, a participant must redeem the RSUs for cash or units or a combination of both, net of any applicable withholding taxes. Currently, the maximum number of units that may be issued under the RSU Plan upon the redemption of RSUs and Distribution RSUs is 5,789,715. A total of 281,400 RSUs have been granted under the RSU Plan since inception. For the year ended December 31, 2016, 6,998 (for the year ended December 31, 2015 – 57,740) RSUs vested and 3,480 (for the year ended December 31, 2015 – 25,185) units were issued (not including units issued on the redemption of Distribution RSUs). For the year ended December 31, 2016, compensation expense of $67 thousand (for the year ended December 31, 2015 - $140 thousand) has been recognized in respect of the RSUs.

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

	December 31, 2016	December 31, 2015
Restricted share units outstanding, beginning of the year	**12,732**	72,072
Granted	**97,400**	-
Vested	**(6,998)**	(57,740)
Forfeited	**(4,534)**	(1,600)
Restricted share units outstanding, end of the year	**98,600**	12,732

In 2015, the Trust implemented a Deferred Unit Plan ("DU Plan") for non-employee trustees. Participants may be awarded deferred units ("DUs") from time to time on a discretionary basis by the Corporate Governance and Compensation Committee. Each DU is economically equivalent to one unit, however, under no circumstances shall DUs be considered units nor entitle a participant to any rights as a unitholder, including, without limitation, voting rights or rights on liquidation. Participants may also elect to receive, in the form of DUs, up to 100% of their annual Board retainer, meeting fees and additional compensation paid by the Trust to a trustee in a calendar year for service on the Board or for chairing a committee of the Board. Each DU shall receive a distribution of additional DUs equal to the amount of distributions paid per unit by the Trust on its units. DUs vest immediately upon grant or issuance. The DUs shall be redeemable by the participant on or after the date on which the participant ceases to be a trustee. The DUs may be redeemed in whole or in part for units of the Trust issued from treasury or cash, as elected by the participant, net of any applicable withholding taxes. The maximum number of units that may be issued under the DU Plan upon the redemption of DUs is 750,000. A total of 40,265 DUs have been granted or issued under the DU Plan since inception and for the year ended December 31, 2016, compensation expense of $121 thousand was recorded (for the year ended December 31, 2015 - $80 thousand).

	December 31, 2016	December 31, 2015
Deferred units outstanding, beginning of the year	**17,098**	-
Granted	**9,940**	11,765
Trustee fees taken as deferred units	**11,799**	4,932
Distributions paid on deferred units taken as additional deferred units	**1,428**	401
Deferred units outstanding, end of the year	**40,265**	17,098

19. Distributions per Unit

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

	2016	2015
Cash distributions declared	**$ 25,278**	$ 23,177
Required cash distributions to ensure no Part I tax	**14,879**	2,980
Total discretionary cash distribution	**$ 10,399**	$ 20,197

20. Change in Non-Cash Working Capital

	2016	2015
Receivables	**$ (29)**	$ (1,594)
Prepaid expenses and deposits	**709**	(315)
Accounts payable and accrued liabilities	**2,074**	238
Total cash from change in non-cash working capital	**$ 2,754**	$ (1,671)

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

21. Related Party Transactions

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

(a) Bonds and Debentures

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

	December 31, 2016	December 31, 2015
Edouard Babineau	**$ 150**	$ 250
Earl Brewer	**125**	219
Stephen Johnson	**100**	-
Michael Zakuta	**100**	250
Total	**$ 475**	$ 719

Other key management personnel own $20 thousand in mortgage bonds of the Trust at December 31, 2016 (December 31, 2015 - $45 thousand).

(b) Notes Payable to Related Parties

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

	December 31, 2016	December 31, 2015
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and trustee of the Trust	**$ 261**	$ 261

(c) Other Transactions with Key Management Personnel

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

(ii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At December 31, 2016 there is $120 thousand owed by the Gateway Mall to some of the owners of the mall (December 31, 2015 - $120 thousand). The pro rata amount owed to the Trust is $30 thousand (December 31, 2015 - $30 thousand). As well, there is a $5 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2015 - $5 thousand). For the year ended December 31, 2016, property management and leasing fees of $76 thousand were earned by a subsidiary of the Trust from this property (for the year ended December 31, 2015 - $69 thousand).

(iii) Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. At December 31, 2016 there is no account receivable balance owing to the Trust for property management fees (December 31, 2015 – $15 thousand). For the year ended December 31, 2016, property management, leasing and development fees of $112 thousand were earned by a subsidiary of the Trust from this property (for the year ended December 31, 2015 - $201 thousand).

(iv) In October 2016, the Trust sold land in Fredericton, NB for gross proceeds of $760 thousand. The land was sold to an entity controlled by Earl Brewer and Michael Zakuta for a residential project. The independent trustees of the Trust reviewed and approved this transaction.

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

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

(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, 2016 and 2015 was as follows:

	2016	2015
Salaries and benefits	**$ 2,574**	$ 2,559
Share-based payments – including DUs and RSUs	**121**	161
Total key management personnel compensation	**$ 2,695**	$ 2,720

During the years ended December 31, 2016 and 2015 there were no amounts paid in post-employment benefits, long-term benefits or termination benefits.

(e) Significant Subsidiaries

	Ownership Interest	
	December 31, 2016	December 31, 2015
Plaza Master Limited Partnership	**100%**	100%
Lemarchant Property Holdings Inc.	**100%**	100%
Plaza Retail Limited Partnership #1	**100%**	100%
Bedford Commons 2 Property Holdings Inc.	**100%**	100%
Plaza Group Management Limited	**100%**	100%
Stavanger Torbay Limited Partnership	**90%**	90%
Spring Park Plaza Inc.(1)	**100%**	100%
Granville Street Properties Limited Partnership(1)	**90%**	90%
Wildan Properties Limited Partnership(1)	**90%**	90%
Exhibition Plaza Inc.(1)	**90%**	90%
Scott's Real Estate Limited Partnership	**100%**	100%
Scott's Acquisition Inc.	**100%**	100%
Riverside Emerald (Timmins) Limited Partnership	**80%**	80%

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

22. 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, 2016	December 31, 2015
Cash	**$ 2,345**	$ 1,501
Current assets	**$ 3,488**	$ 3,551
Long term assets	**$ 177,022**	$ 161,016
Current liabilities	**$ 15,502**	$ 5,579
Long term liabilities	**$ 78,005**	$ 85,098
Revenues	**$ 17,924**	$ 16,930
Expenses	**$ (11,566)**	$ (10,805)
Fair value gain (loss)	**$ 1,297**	$ 2,049

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

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

	Ownership Interest	
	December 31, 2016	December 31, 2015
Accounting Method – Proportionate Consolidation		
Les Galeries Montmagny and Plaza Tache, QC	**50%**	50%
Bureau en Gross, QC	**50%**	50%
Plaza SP Magog, QC	**50%**	50%
Carrefour des Seigneurs, QC	**25%**	25%
Galeries des Cantons, QC	**50%**	50%
Plaza BDP Deux Montagnes, QC	**37.5%**	37.5%
Plaza Jean XXIII, QC	**50%**	50%
Plaza BBRF, QC	**50%**	50%
Plaza TS Magog, QC	**50%**	50%
Plaza De L'Ouest, QC	**50%**	50%
Plaza HDB, QC	**33%**	33%
4999 Queen Mary Road, QC	**25%**	25%
600 JP Perrault, QC	**50%**	50%
201 Chain Lake Drive Plaza, NS	**50%**	50%
209 Chain Lake Drive Plaza, NS	**50%**	50%
Tacoma Centre, NS	**50%**	50%
Tacoma Shoppers, NS	**50%**	50%
Robie Street Truro Plaza, NS	**25%**	25%
210 Wyse Road, NS	**50%**	50%
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%**	-
Timiskaming, ON	**50%**	-
KGH Plaza, NB	**25%**	25%
681 Mountain Road, NB	**25%**	25%
201 Main Street - Sussex, NB	**25%**	25%
Northumberland Plaza, NB	**50%**	-
The Village Shopping Centre, NL	**50%**	44.5%

23. 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, 2016, there were no letters-of-credit issued and outstanding (December 31, 2015 – nil).

The $15.0 million development line of credit has $500 thousand available for use in the form of letters-of-credit. At December 31, 2016, there were no letters-of-credit issued and outstanding (December 31, 2015 – nil).

The $30.0 million operating line of credit has $2.0 million available for use in the form of letters-of-credit. At December 31, 2016, letters-of-credit in the amount of $1.0 million were issued and outstanding (December 31, 2015 - $532 thousand).

The $3.0 million secured non-revolving construction credit facility has $100 thousand available for use in the form of letters-of-credit, at the Trust's 20% ownership percentage. At December 31, 2016, there were no letters-of-credit issued and outstanding (December 31, 2015 – nil).

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

(b) Commitments

The Trust's estimated commitments at December 31, 2016 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	After 5 Years	Face Value Total
Mortgages – periodic payments	$ 10,309	$ 10,255	$ 9,580	$ 8,836	$ 7,284	$ 31,317	$ 77,581
Mortgages – due at maturity	24,707	15,276	50,572	64,379	28,646	191,070	374,650
Development lines of credit	2,825	4,075	-	-	-	-	6,900
Construction loans	3,089	-	-	-	-	-	3,089
Bank indebtedness	-	12,562	-	-	-	-	12,562
Mortgage bonds payable	3,000	-	6,000	6,000	-	-	15,000
Debentures [(1)]	15,169	38,000	-	-	5,500	-	58,669
Operating land leases [(2)]	3,175	3,152	3,190	3,209	3,255	131,819	147,800
Development activities	7,053	-	-	-	-	-	7,053
Total contractual obligations	**$ 69,327**	**$ 83,320**	**$ 69,342**	**$ 82,424**	**$ 44,685**	**$354,206**	**$703,304**

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

(c) Guarantees and Indemnities

The Trust continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. At December 31, 2016 a $5.5 million commitment (December 31, 2015 - $5.7 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 6.1 years (December 31, 2015 - 7.1 years).

The Trust is contingently liable for certain obligations of its co-venturers. The guarantee provided to the mortgagee of a free-standing property located in Granby, QC is subject to a cross-guarantee provided by the other co-owners for the full amount of the loan. At December 31, 2016 the Trust's total exposure on the cross-guarantee is $554 thousand (December 31, 2015 - $568 thousand). As well, the Trust has guarantees in excess of its ownership percentages for six strip plazas and three free-standing properties. The excess guarantees amount to $18.4 million (December 31, 2015 - $18.6 million).

(d) Litigation

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

(e) Provisions

A provision is recognized if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The Trust has no provisions recorded at December 31, 2016 (December 31, 2015 – nil).

24. Financial Instruments and Risk Management

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

(a) Interest Rate Risk

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

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

The Trust had entered into interest rate swap contracts with a Canadian chartered bank in connection with mortgages obtained in 2010, in order to convert the mortgages from variable rates to fixed rates. The swaps mature on July 31, 2020. As the swaps relate to debt of an equity-accounted investee, the interest rate swap contracts have been recorded at fair value in investments with changes in fair value reflected in share of profit of associates. The fair value of these contracts results in a liability, for the Trust's share, of $257 thousand at December 31, 2016 (December 31, 2015 – $361 thousand). There is a risk that interest rates will fluctuate during the term of the mortgages. The Trust intends to hold the mortgages to maturity and therefore would not realize the fair value fluctuations. The fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

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

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

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

An increase of 100 basis points in interest rates at December 31, 2016 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by $225 thousand (for the year ended December 31, 2015 – $400 thousand).

(b) Lease Rollover and Occupancy Risk

The Trust is exposed to the risk of not being able to replace tenants as leases expire or development space becomes available. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately $673 thousand per annum. The Trust's principal management of occupancy risk involves the skewing of tenancies towards national tenants, the signing of longer term leases and significant preleasing of development space. As well, the Trust attempts to stagger the lease expiry profile so that the Trust is not faced with a disproportionate amount of square footage of leases expiring in any one year. The Trust further mitigates this risk by maintaining a diversified portfolio mix both by retail asset type and geographic location and maintaining a well-staffed and highly skilled leasing department to deal with all leasing issues.

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

(c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and weighted to national and regional tenants, which comprise 94.7% of the in-place tenant base (December 31, 2015 – 94.6%). As well, the Trust limits loans granted under lease arrangements to credit-worthy national tenants.

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

The Trust generally provides financial guarantees only to wholly-owned subsidiaries and joint arrangement partners during the development periods, subject to reciprocal indemnities, by utilizing established development lines of credit. Where lenders of first mortgages on joint arrangement properties require financial guarantees from the Trust, reciprocal indemnities are generally obtained from the Trust's joint arrangement partners. Guarantees are generally limited to the lower of 75% of the asset cost or 65% of the fair market value. See Note 23(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, 2016**	December 31, 2015
Held-to-maturity investments	**$ 99**	$ 19,310
Tenant loans, receivables, and notes receivable	**15,435**	9,979
Cash	**5,182**	2,744
Total	**$ 20,716**	$ 32,033

The Trust's most significant customer, a national retailer, accounts for $232 thousand of tenant loans at December 31, 2016 (December 31, 2015- $306 thousand).

Shoppers Drug Mart represents 25.4% of monthly base rents in place at December 31, 2016, while franchisees of KFC represent 9.0% of monthly base rents in place. The top 10 tenants collectively represent approximately 57.9% of monthly base rents in place.

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

(d) Liquidity and Debt Market Risk

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

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

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

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3	Year 4	Year 5	More than 5 years
Accounts payable and accrued liabilities	$15,821	$15,821	$15,821	$ -	$ -	$ -	$ -	$ -
Debentures payable	$60,172	$64,173	$17,627	$40,291	$ 302	$ 302	$ 5,651	$ -
Notes payable	$ 1,190	$ 1,190	$ 1,190	$ -	$ -	$ -	$ -	$ -
Bank indebtedness	$12,562	$13,248	$ 433	$12,815	$ -	$ -	$ -	$ -
Mortgage bonds payable	$14,748	$16,903	$ 3,703	$ 600	$ 6,450	$ 6,150	$ -	$ -
Mortgages payable	$459,844	$584,765	$65,187	$43,946	$76,412	$87,329	$46,718	$265,173

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

(e) Fair Value

Generally, trading values for the Trust's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Trust must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of fixed rate mortgages are corresponding term Government of Canada bonds plus credit spreads of 1.95% to 2.65% (December 31, 2015 – 1.95% to 2.45%). The rates used to determine the fair value of mortgage bonds range from 4.50% to 5.00% (December 31, 2015 – 4.50% to 5.00%). The rate used to determine the fair value of non-convertible debentures is 5.00% (December 31, 2015 – 5.00%). The majority of the Trust's convertible debentures are publicly traded. The fair value of the Class B exchangeable LP units is based on the trading price for the Trust's units.

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

	Book Value December 31, 2016	**Fair Value December 31, 2016**	Book Value December 31, 2015	Fair Value December 31, 2015
Cash	**$ 5,182**	**$ 5,182**	$ 2,744	$ 2,744
Receivables	**3,542**	**3,542**	3,497	3,497
Notes receivable	**10,578**	**10,578**	4,684	4,684
Held-to-maturity investments	**99**	**99**	19,310	19,310
Tenant loans	**1,315**	**1,315**	1,798	1,798
Total Financial Assets	**$ 20,716**	**$ 20,716**	$ 32,033	$ 32,033
Bank indebtedness	**$ 12,562**	**$ 12,562**	$ 26,486	$ 26,486
Accounts payable and accrued liabilities	**15,821**	**15,821**	13,106	13,106
Total net fixed rate mortgage loans	**449,979**	**468,978**	457,860	484,148
Total net fixed rate mortgage loans for assets held for sale	**-**	**-**	742	742
Total net variable rate mortgage loans or credit facilities	**9,865**	**9,865**	13,442	13,442
Convertible debentures	**56,172**	**56,172**	60,506	60,506
Non-convertible debentures	**4,000**	**4,000**	3,984	3,984
Mortgage bonds payable	**14,748**	**14,766**	14,761	14,960
Class B exchangeable LP units	**6,595**	**6,595**	6,199	6,199
Notes payable	**1,190**	**1,190**	1,175	1,175
Total Financial Liabilities	**$ 570,932**	**$ 589,949**	$ 598,261	$ 624,748

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

The fair value of the Trust's financial assets and liabilities that represent net working capital, including cash, receivables, notes receivable, income taxes receivable, bank indebtedness, accounts payable and accrued liabilities 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, 2016			December 31, 2015		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Investment properties	**$ -**	**$ -**	**$ 959,889**	$ -	$ -	$ 945,757
Investment properties held for sale	**-**	**-**	**92**	-	-	1,800
	$ -	**$ -**	**$ 959,981**	$ -	$ -	$ 947,557
Class B exchangeable LP units	**$ 6,595**	**$ -**	**$ -**	$ 6,199	$ -	$ -
Series B, C and D convertible debentures	**50,589**	**-**	**-**	60,506	-	-
Series VII convertible debentures	**-**	**5,583**	**-**	-	-	-
	$ 57,184	**$ 5,583**	**$ -**	$ 66,705	$ -	$ -

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers (see Note 5 for a more detailed description of the Trust's valuation approach). The significant unobservable inputs include normalized net operating income, which is supported by the terms of existing leases in place and current market rents to renew or lease up vacant or expiring space, adjusted for estimated or normalized vacancy rates based on market conditions and factoring in expected maintenance costs.

25. Capital Management

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

Bank operating and development lines require maintenance of at least $150 million of unitholders' equity; maximum leverage of 70% including convertible debentures and 65% excluding convertible debentures; maintenance of debt coverage ratios in excess of 1.5 times with the debt coverage ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. The bank operating line also requires on pledged assets: 90% occupancy; 65% loan to value; and interest coverage constraints of 1.60. In addition, under a development line, the Trust must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets less fair value adjustments of not more than 70%. The Trust has a $3.0 million construction credit facility which requires maintenance of at least $200 million of unitholders' equity and debt coverage ratios in excess of 1.3 times. The Trust is in compliance with all debt covenants at December 31, 2016.

There were no changes to the Trust's approach to capital management for the year ended December 31, 2016.

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

The calculation of the total capital is summarized as follows:

	December 31, 2016	December 31, 2015
Total net fixed rate mortgage loans	**$ 449,979**	$ 458,602
Total net variable rate mortgage loans	**9,865**	13,442
Mortgage bonds payable	**14,748**	14,761
Debentures payable	**60,172**	64,490
Bank indebtedness	**12,562**	26,486
Notes payable	**1,190**	1,175
	548,516	578,956
Unitholders' equity	**451,743**	419,550
Total	**$ 1,000,259**	$ 998,506

26. Subsequent Events

Financings

On January 5, 2017, a temporary increase for $7.0 million was added to the $30.0 million operating line for a six month term. The interest rate for any amounts in excess of $30.0 million is prime plus 1.25% or BAs plus 2.50%.

Investment Properties

In 2017, the Trust sold land in Kenora, ON for $92 thousand, at the Trust's ownership percentage.

Convertible Debentures

Between January 3 – 6, 2017 $12.9 million in Series C convertible debentures were converted to 2.45 million units and $1.5 million in cash. On January 9, 2017 the remaining $2.3 million in Series C convertible debentures were redeemed and paid out.

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