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, 2018 AND 2017

DATED: FEBRUARY 26, 2019

TABLE OF CONTENTS

PRESIDENT'S MESSAGE... 1

PART I

Basis of Presentation... 2
Forward-Looking Disclaimer 2
Overview of the Business 2
Business Environment and Outlook 4
Development Pipeline and Acquisitions/Dispositions 4
Summary of Selected Year to Date Information 7

PART II

Strategy 8
Key Performance Drivers and Indicators 9
Property and Corporate Financial Performance 2018 and 2017 11
Leasing and Occupancy 17

PART III

Operating Liquidity and Working Capital 19
Capital Resources, Equity and Debt Activities 21
Commitments and Contingent Liabilities 26

PART IV

Summary of Selected Quarterly Information 27

PART V

Risks and Uncertainties 28

PART VI

Related Party Transactions 30

PART VII

Disclosure Controls and Procedures and Internal Controls over Financial Reporting 32
Critical Accounting Policies 32
Future Accounting Policy Changes 33
Explanation of Non-IFRS Measures used in this Document 34
Explanation of Additional IFRS Measures used in this Document 34
Additional Information 35
Properties of the Trust 35

Appendix A

Fourth Quarter Consolidated Statements of Comprehensive Income. 36

CONSOLIDATED FINANCIAL STATEMENTS. 37

PRESIDENT'S MESSAGE

Fellow Unitholders:

On behalf of the Board of Trustees and management team at Plaza Retail REIT, I am pleased to present our financial and operating results for the year ended December 31, 2018; a year that was highlighted by continued growth through new development and redevelopment projects across our geographic footprint.

This growth was driven by investments and capital recycling. During the year, Plaza invested $85 million in new developments, redevelopments and high yield structured deals, a record level for the REIT. These investments were funded in part by the sale of lower-return, non-core assets for proceeds of $37 million. This reflects Plaza's development focused growth strategy, which is very different from that of other publicly traded REITs that grow primarily through the acquisition of stabilized properties.

At Plaza, we are running a development and redevelopment business with a strong track record of creating value, as opposed to just buying properties and collecting rent. We invest capital in land for new developments or buildings that we redevelop, so we do not realize any return during the development or redevelopment period. However, as the projects are completed and we start to realize returns, they are typically materially higher than returns available from the acquisition of stabilized properties. New projects added $3.6 million to our NOI, which represented 5.6% of our NOI for the year. Concurrently, we took advantage of opportunities for asset dispositions that had the effect of removing $1.8 million from NOI. These proceeds are being invested in new projects that are expected to produce substantially higher NOI upon project completions. In 2018, recycling of capital combined with high investment levels temporarily reduced NOI and FFO due to the time lag between asset sales and the new investments generating income. Ultimately, we expect this strategy to create superior value for unitholders.

That is not to say that Plaza will not capitalize on unique opportunities to acquire existing high-return properties. Well-publicized headwinds to bricks-and-mortar retail continue to negatively affect investor sentiment for retail real estate assets. This has motivated a number of large real estate owners to sell retail assets into the market. In some instances, this is creating an oversupply of retail assets for sale. We have been able to execute on several opportunities to purchase income-producing assets with value-add potential that are accretive to our AFFO. We see this market opportunity continuing through 2019 and are excited about the prospect of acquiring more properties with upside potential at compelling going-in yields.

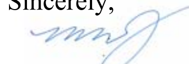
Plaza's pipeline remains strong - we foresee continued growth and opportunity for both redevelopments and new development projects. We are pursuing a number of joint venture initiatives with various types of partners, such as residential land developers with excess retail lands and institutions and property owners seeking a strong and capable development partner. We will continue to recycle capital in order to fund our growth and will pursue structured deals with private and institutional investors. These strategies enable us to fund growth without dilution to unitholders.

Plaza's unit price has been significantly impacted by investors exiting retail REITs across North America, reflecting the widespread negative view of bricks-and-mortar retail that I referenced above. However, many of the reasons for this strong exit are not relevant to Plaza. First, our properties are smaller and very community-centric, attracting the same customers every week, as they conduct their regular pre- and post-work routines. Second, our tenant lineup comprises value, specialty and necessity-based retailers that require a local, physical presence. And third, Plaza possesses strong leasing and development infrastructures that enable us to seize interesting growth opportunities and take advantage of current retail trends.

That said, we are not sitting back and waiting for the unit price to improve only after the market eventually recognizes these differentiated features of Plaza. We are currently looking at a number of strategies that will help to surface value for our unitholders. For the first time since the initiation of our distribution policy, we did not announce an increase in our distribution prior to the new year. This reflects our view that advancing our growth strategy can generate stronger investor returns than an increased distribution and that we can also support our unit price through the buyback of units in the market. In fact, we anticipate buying back units in 2019.

Our Board and management recognize and appreciate the investment that all of our stakeholders have made in Plaza, and are working hard to ensure our success. Thank you to our employees, customers and unitholders for your ongoing commitment and support.

Sincerely,



Michael Zakuta
President and CEO

PART I

BASIS OF PRESENTATION

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to February 26, 2019. The financial statements to which this MD&A relates were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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

FORWARD-LOOKING DISCLAIMER

This MD&A should be read in conjunction with the Trust's Consolidated Financial Statements and the notes thereto for the year ended December 31, 2018 and 2017, along with the MD&A of the Trust for the year ended December 31, 2017, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

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

These forward-looking statements are made as of February 26, 2019 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

OVERVIEW OF THE BUSINESS

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

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

- Plaza has a 16 year history of accretive growth and value creation since beginning to pay distributions in late 2002;
- Plaza has strong relationships with leading retailers;

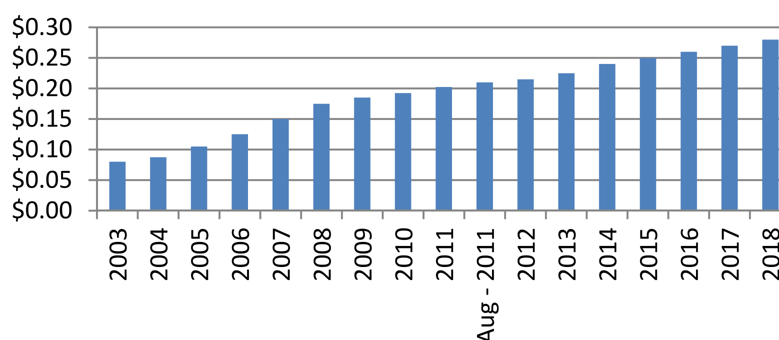
- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed and enclosed retail real estate throughout Canada;
- Plaza has a competitive advantage as a developer in Atlantic Canada;
- Plaza's entrepreneurial abilities allow it to adapt more easily 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, unitholder value.

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 Plazacorp began paying dividends in November 2002 until 2018. Plaza's distribution compounded annual growth rate has been approximately 9%.

Yearly Distribution/Dividend Growth

2003[(1)]	8.00¢	n/a
2004	8.75¢	9.4%
2005	10.50¢	20.0%
2006	12.50¢	19.0%
2007	15.00¢	20.0%
2008	17.50¢	16.7%
2009	18.50¢	5.7%
2010	19.25¢	4.1%
2011	20.25¢	5.2%
2011-Aug	21.00¢	3.7%
2012	21.50¢	2.4%
2013	22.50¢	4.7%
2014	24.00¢	6.7%
2015	25.00¢	4.2%
2016	26.00¢	4.0%
2017	27.00¢	3.8%
2018	28.00¢	3.7%

(1) Plazacorp began paying dividends in November 2002. 2003 is the first full year of dividend payments.



Summary of Properties

The Trust's portfolio at December 31, 2018 includes interests in 287 properties totaling approximately 8.2 million square feet (which are predominantly occupied by national tenants) and additional lands held for development. These include properties indirectly held by Plaza through its subsidiaries and through joint arrangements.

	Number of Properties December 31, 2018[(1)]	**Gross Leasable Area (sq. ft.) December 31, 2018[(1) (2)]**	Number of Properties December 31, 2017[(1)]	Gross Leasable Area (sq. ft.) December 31, 2017[(1) (2)]
Alberta	**2**	**34,238**	10	52,513
Newfoundland and Labrador	**12**	**682,044**	12	679,544
New Brunswick	**52**	**1,938,349**	51	1,837,420
Nova Scotia	**35**	**1,151,286**	37	1,180,164
Manitoba	**6**	**30,424**	6	30,424
Ontario	**71**	**1,571,739**	71	1,262,229
Prince Edward Island	**11**	**595,683**	11	595,413
Quebec	**98**	**2,149,359**	100	2,196,332
Total	**287**	**8,153,122**	298	7,834,039

(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 in 2019.

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

Government of Canada bond rates have increased over the last year as a result of Bank of Canada rate increases. More recently, bond rates have been extremely volatile due to economic uncertainties in Canada and abroad. Notwithstanding all of this, it is still a relatively low interest rate environment, and long-term debt financing continues to be readily available from lenders at competitive fixed rates. Plaza will continue to underwrite its development and redevelopment projects to build in appropriate anticipated fixed rate debt financing. Plaza will also attempt to early refinance mortgages to take advantage of current rates.

DEVELOPMENT PIPELINE AND ACQUISITIONS/DISPOSITIONS

Development Pipeline

Plaza's development pipeline is robust and will continue to drive growth going forward. Plaza currently owns an interest in the following projects under development or redevelopment which, upon completion, are expected to be accretive to Plaza's earnings. 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	Square Footage[1]	Ownership	Occupied or Committed at December 31, 2018[4]	Anticipated Completion Date
In Planning/In Development:				
Strip Plaza:				
Plaza de L'Ouest, Sherbrooke, QC – Phase III	20,000	50%	n/a	1-2 years
Fairville Boulevard, Saint John, NB – Phase III	10,000	100%	n/a	1-2 years
St. Jerome, St. Jerome (Montreal), QC -Phase III.2[2]	70,000	20%	n/a	1-2 years
100 Saint-Jude Nord, Granby, QC – Phase II[2]	100,000	10%	n/a	2-3 years
The Shoppes at Galway, St. John's, NL – Phase I.2[2]	195,000	50%	n/a	1-2 years
The Shoppes at Galway, St. John's, NL – Phase II[2]	142,000	50%	n/a	2-3 years
The Shoppes at Galway, St. John's, NL – Phase III[2]	100,000	50%	n/a	2-3 years
Rideau Plaza, Smiths Falls, ON	18,640	75%	n/a	1-2 years
Taunton Rd., Oshawa, ON	40,000	50%	n/a	Q3 2020
Single Use:				
5150 Blvd Arthur-Sauve, Laval, QC[2]	10,000	25%	100%	Q3 2019
464 Dundas St., Belleville, ON[3]	2,500	100%	100%	Q4 2019
90 Main St., Picton, ON[3]	2,500	100%	n/a	Q4 2019
311 Main St., Dunnville, ON[3]	2,500	100%	n/a	Q4 2019
499 Dundas St., Cambridge, ON[3]	4,000	100%	n/a	1-2 years
63 Lindsay St., Lindsay, ON[3]	4,000	100%	n/a	1-2 years
Carson & Mapleton, Moncton, NB	5,400	100%	100%	Q4 2019
Expansion:				
Champlain St. Plaza, Dieppe (Moncton), NB–Phase II.1	7,600	100%	100%	Q3 2019
600 J.P. Perrault, Sherbrooke, QC	17,000	50%	100%	Q4 2019
Champlain St. Plaza, Dieppe (Moncton), NB–Phase II.2	10,000	100%	n/a	1-2 years
Pleasant Street, Yarmouth, NS	2,000	100%	n/a	1-2 years
Silver Fox Plaza, New Minas, NS	5,000	100%	n/a	1-2 years
In Construction:				
Enclosed Mall to Strip Plaza:				
Timiskaming, New Liskeard, ON	75,565	50%	71%	Q4 2019
1000 Islands Plaza, Brockville, ON	165,000	50%	83%	Q4 2019
Strip Plaza:				
1324 Blvd Talbot, Saguenay (Chicoutimi), QC	84,000	50%	65%	Q3 2019
St. Jerome, St. Jerome (Montreal), QC -Phase III.1[2]	30,000	20%	100%	Q3 2019
The Shoppes at Galway, St. John's, NL – Phase I.1[2]	58,000	50%	100%	Q3 2019
Single Use:				
144 Denison, Granby, QC[2]	10,000	25%	100%	Q1 2019
6685 Century Avenue, Mississauga, ON	77,262	50%	100%	Q3 2019
9205 Bd. Lacordaire, St. Leonard, QC[3]	2,632	100%	100%	Q2 2019
Expansion:				
9025 Torbram Rd, Brampton, ON[3]	34,272	100%	100%	Q2 2019
Total	1,304,871			

(1) Approximate square footage upon completion or to be added on expansion.
(2) This is owned in a limited partnership that is part of the Trust's non-consolidated trusts and partnerships.
(3) This is an existing property being redeveloped.
(4) Occupied or committed based on redeveloped square footage.

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

There is excess density at existing properties which would represent approximately 97 thousand additional square feet of gross leasable area.

At December 31, 2018, there are two land assemblies under purchase agreement and subject to due diligence or other conditions. These land purchases, if executed, will represent an additional 131 thousand square feet of retail space at completion.

At December 31, 2018, there is a property, representing 197 thousand square feet for redevelopment under purchase agreement and subject to due diligence or other conditions.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between $120 million and $130 million, of which approximately $56 million has already been spent (at Plaza's ownership percentage). The unspent amount has not been fully or specifically budgeted or committed at this time. For the projects in construction, remaining costs to complete are between $13 million and $14 million. For the projects in planning or in development that are expected to be completed by the end of 2019, remaining costs to complete are between $3 million and $4 million. The majority of unspent amounts for Plaza's development projects are funded by Plaza's existing development facilities or construction loans entered into.

Acquisitions/Dispositions

During the year ended December 31, 2018, the Trust purchased the following (all including closing costs): land in Oshawa, ON for $2.5 million; a 50% interest in land in Saguenay, QC for $380 thousand; land in Moncton, NB for $330 thousand; a 75% interest in a property in Smiths Falls, ON for redevelopment for $1.8 million; a property in Brockville, ON for redevelopment for $14.3 million; the remaining 50% interest in Northumberland Square in Miramichi, NB for $5.0 million; and a property in Quispamsis, NB for $12.6 million. As well, the Trust acquired a 100% interest in Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB for $42.1 million through the purchase of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own (the "Transaction"). Net of assumption of debt, working capital and the existing ownership interest, the remaining units were purchased for total cash consideration of $14.3 million. Both properties were previously co-owned with the Trust through two retail syndications. The previous syndications for these two properties, whose interests were bought out as a result of the Transaction, included certain related parties of the Trust – namely; Earl Brewer, Michael Zakuta, Edouard Babineau and Denis Losier. A special committee of independent trustees of the Trust was formed to review and approve the related party transactions. As well, concurrent with the Transaction, the Trust sold a 50% co-ownership interest in Shediac West Plaza and Northwest Centre to a Canadian pension fund for gross proceeds of $20.5 million ($8.7 million after assumption of 50% of the existing mortgages).

During the year ended December 31, 2018, the Trust disposed of properties in Ottawa, ON and Perth, ON for net proceeds of $1.6 million, a property in Halifax, NS for net proceeds of $3.5 million, a property in Lachine, QC for net proceeds of $641 thousand, a property in Montreal, QC for net proceeds of $10.3 million, a property in Halifax, NS for $1.3 million, a property in Pointe aux Trembles, QC for net proceeds of $600 thousand and 8 properties in Alberta for $11.8 million. The Trust sold a 50% co-ownership interest in its redevelopment property in Brockville, ON for gross proceeds of $7.2 million ($2.5 million after assumption of 50% of the existing mortgage). Also, purchasers waived conditions to buy property from the Trust in Paris, ON for $400 thousand and London, ON for $972 thousand. The Paris, ON transaction closed in January 2019 and the London, ON transaction is scheduled to close in April 2019.

On January 15, 2019, the Trust sold a 50% co-ownership interest in a property located in Quispamsis, NB to a syndicated limited partnership. As part of the transaction, $1.2 million in debt was issued by the Trust at a rate of prime + 1.05%, on an interest-only basis for a 5 year term.

On January 31, 2019, the Trust disposed of land and building located in Montreal, QC for gross proceeds of $1.0 million.

SUMMARY OF SELECTED YEAR TO DATE INFORMATION

(000s, except as otherwise noted)	**12 Months Ended December 31, 2018 (unaudited)**	12 Months Ended December 31, 2017 (unaudited)	12 Months Ended December 31, 2016 (unaudited)
Property rental revenue	**$ 104,017**	$ 102,887	$ 100,215
Total revenue	**$ 105,436**	$ 105,963	$ 108,029
NOI[1]	**$ 63,924**	$ 64,358	$ 62,672
Same-asset NOI[1]	**$ 58,845**	$ 59,040	N/A[3]
FFO[1] [5]	**$ 34,264**	$ 35,596	$ 32,358
AFFO[1] [5]	**$ 30,304**	$ 32,996	$ 28,967
EBITDA[1]	**$ 59,996**	$ 60,016	$ 58,661
Profit and total comprehensive income	**$ 12,212**	$ 23,447	$ 32,758
Total assets	**$ 1,061,066**	$ 1,031,335	$ 1,029,892
Total non-current liabilities	**$ 480,295**	$ 450,020	$ 484,587
Total mortgages, mortgage bonds, notes payable, bank credit facilities	**$ 520,146**	$ 490,305	$ 488,344
Total debentures	**$ 59,835**	$ 49,773	$ 60,172
Weighted average units outstanding [2]	**103,490**	102,385	98,100
Amounts on a Per Unit Basis			
FFO[1]	**$ 0.331**	$ 0.348	$ 0.330
AFFO[1]	**$ 0.293**	$ 0.322	$ 0.295
Distributions	**$ 0.280**	$ 0.270	$ 0.260
Financial Ratios			
Weighted average interest rate – fixed rate mortgages	**4.41%**	4.39%	4.46%
Debt to gross assets (excluding converts)	**49.7%**	48.4%	47.7%
Debt to gross assets (including converts)	**54.7%**	52.2%	53.0%
Interest coverage ratio[1]	**2.27x**	2.36x	2.18x
Debt coverage ratio[1]	**1.62x**	1.68x	1.58x
Distributions as a % of FFO	**84.6%**	77.7%	79.2%
Distributions as a % of AFFO	**95.7%**	83.9%	88.4%
Leasing Information			
Square footage leased during the period (total portfolio)	**1,283,055**	1,111,025	1,049,545
Committed occupancy[4]	**96.2%**	95.2%	96.1%
Same-asset committed occupancy[4]	**96.0%**	95.4%	N/A[3]
Mix of Tenancy Based on Square Footage[4]			
National	**91.1%**	91.4%	92.0%
Regional	**3.4%**	3.5%	3.3%
Local	**3.7%**	3.4%	3.2%
Non retail	**1.8%**	1.7%	1.5%
Other			
Average term to maturity - mortgages	**5.5 Years**	6.0 Years	6.4 Years
Average term to maturity - leases[4]	**5.7 Years**	5.8 Years	6.2 Years
IFRS capitalization rate	**7.25%**	7.02%	7.03%

Property Type Breakdown	**Number of Properties December 31, 2018**	**Square Footage (000s)**	Number of Properties December 31, 2017	Square Footage (000s)
Strip	**110**	5,711	106	5,403
Enclosed	**4**	993	5	971
Single Use – Quick Service Restaurant	**102**	272	125	434
Single Use – Retail	**71**	1,177	62	1,026
Total	**287**	8,153	298	7,834

(1) Refer to Part VII under the headings "Explanation of Non-IFRS Measures used in this Document" and "Explanation of Additional IFRS Measures used in this Document" for further explanations.
(2) Includes Class B exchangeable limited partnership ("LP") units.
(3) Not applicable as the same-asset calculation relates to assets owned since January 1, 2017.
(4) Excludes properties under development and non-consolidated investments.
(5) Prior year comparatives have been restated for change to REALpac's definition of FFO in 2017.

PART II

STRATEGY

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

The Trust strives to:

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

The Trust invests in the following property types:

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

Management intends to achieve Plaza's goals by:

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

KEY PERFORMANCE DRIVERS AND INDICATORS

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

Management believes that the key internal performance drivers are:

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

Management believes that the key external performance drivers are:

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

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

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

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing a steady and increasing cash flow to unitholders. The following chart discusses the key performance indicators for the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017.

FFO[1]

	YTD Q4 2018	YTD Q4 2017
FFO	**$34,264**	$35,596
FFO per unit	**$0.331**	$0.348
Distributions as a % of FFO	**84.6%**	77.7%

- The decrease in FFO and FFO per unit was mainly due to $1.7 million in lease buyout revenues recorded in the prior year. Notably however, there was considerable growth in NOI from developments/redevelopments/acquisitions of $3.6 million, well in excess of $1.8 million in lost NOI due to a large amount of property dispositions. Also impacting FFO per unit were (i) higher other income from leasing and development fees earned on co-owned properties, and (ii) higher interest expense mainly related to the timing and amount of the issuance of the Series E convertible debentures versus the redemption of the Series D convertible debentures, early mortgage discharge fees incurred in the current year, as well as higher mortgage interest due to a large number of acquisitions.
- Excluding the non-recurring one month overlap of interest on the convertible debentures, the impact of the 2017 lease buyouts and the early mortgage discharge fees, FFO per unit would have been 1.7% higher than the prior year.

AFFO[1]

	YTD Q4 2018	YTD Q4 2017
AFFO	**$30,304**	$32,996
AFFO per unit	**$0.293**	$0.322
Distributions as a % of AFFO	**95.7%**	83.9%

- The principal factors influencing AFFO are consistent with those impacting FFO, as well as an increase in leasing costs relating to new tenancies.

Debt Service Ratios[1]

	YTD Q4 2018	YTD Q4 2017
Interest coverage ratio	**2.27x**	2.36x
Debt coverage ratio	**1.62x**	1.68x

- The interest and debt coverage ratios were lower than the prior year mainly due to the $1.7 million in lease buyout revenue recorded in the prior year, as well as higher debenture interest expense due to the fact that a higher face value of Series E convertible debentures were issued versus the redemption of the Series D convertible debentures. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

Debt to Gross Assets

	Q4 2018	Q4 2017
Debt to gross assets (excluding converts)	**49.7%**	48.4%
Debt to gross assets (including converts)	**54.7%**	52.2%

- Including convertible debentures, the current year ratio was impacted by the issuance of the $47.25 million Series E convertible debentures versus the repayment of the $34.0 million Series D convertible debentures.

Same-Asset NOI[1]

	YTD Q4 2018	YTD Q4 2017
Same-asset NOI	**$58,845**	$59,040

- Same-asset NOI decreased 0.3% over the prior year mainly due to $182 thousand of bad debt expense recorded in the period due to a tenant going into creditor protection. Vacancies in the portfolio from two significant lease buyouts concluded during 2017, as well as vacancies at one of Plaza's enclosed malls (which is in the process of being stabilized), were offset by new lease up and rent increases in the portfolio. Excluding the impact of the lease buyouts, same-asset NOI would have been up 0.1% over the prior year.

Weighted Average Interest Rate – Fixed Rate Mortgages

	Q4 2018	Q4 2017
Weighted average interest rate – fixed rate mortgages	**4.41%**	4.39%

- Plaza continues to finance at low rates.

Occupancy Levels

	Q4 2018	Q4 2017
Committed occupancy	**96.2%**	95.2%
Same-asset committed occupancy	**96.0%**	95.4%

- Retail demand in Plaza's markets remains strong.

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

PROPERTY AND CORPORATE FINANCIAL PERFORMANCE 2018 AND 2017

Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

Plaza's summary of FFO and AFFO for the three and twelve months ended December 31, 2018, compared to the three and twelve months ended December 31, 2017 is presented below:

(000s – except per unit amounts and percentage data)	**3 Months Ended December 31, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018**	12 Months Ended December 31, 2017
Profit and total comprehensive income for the period attributable to unitholders	**$ 1,055**	$ 9,431	**$ 12,063**	$ 23,232
Add (deduct):				
Incremental leasing costs included in administrative expenses	**296**	382	**1,646**	1,727
Debenture issuance costs, net of amortization[5]	**(101)**	(73)	**1,939**	(292)
Distributions on Class B exchangeable LP units included in finance costs	**85**	87	**351**	354
Deferred income taxes	**(627)**	207	**(410)**	(64)
Fair value adjustment to restricted share units	**(28)**	(5)	**(30)**	(17)
Fair value adjustment to investment properties	**9,865**	(2,124)	**18,405**	10,392
Fair value adjustment to investments	**1,209**	600	**4,119**	1,876
Fair value adjustment to Class B exchangeable LP units	**(381)**	(152)	**(457)**	(970)
Fair value adjustment to convertible debentures	**(3,159)**	94	**(3,022)**	(339)
Fair value adjustment to interest rate swaps and bond forwards	**50**	-	**(39)**	-
Equity accounting adjustment	**9**	(23)	**(49)**	(138)
Non-controlling interest adjustment	**(91)**	11	**(252)**	(165)
Basic FFO	**$ 8,182**	$ 8,435	**$ 34,264**	$ 35,596
Add (deduct):				
Non-cash revenue – straight-line rent[4]	**49**	56	**228**	239
Leasing costs – existing properties[1] [4]	**(730)**	(424)	**(3,373)**	(1,783)
Maintenance capital expenditures – existing properties[1] [4]	**(75)**	(287)	**(869)**	(1,098)
Non-controlling interest adjustment	**40**	9	**54**	42
Basic AFFO	**$ 7,466**	$ 7,789	**$ 30,304**	$ 32,996
Basic weighted average units outstanding [2]	**103,966**	102,685	**103,490**	102,385
Basic FFO per unit	**$ 0.079**	$ 0.082	**$ 0.331**	$ 0.348
Basic AFFO per unit	**$ 0.072**	$ 0.076	**$ 0.293**	$ 0.322
Gross distributions to unitholders [3]	**$ 7,281**	$ 6,937	**$ 28,997**	$ 27,674
Distributions as a percentage of basic FFO	**89.0%**	82.2%	**84.6%**	77.7%
Distributions as a percentage of basic AFFO	**97.5%**	89.1%	**95.7%**	83.9%
Basic FFO	**$ 8,182**	$ 8,435	**$ 34,264**	$ 35,596
Interest on dilutive convertible debentures	**607**	-	**2,410**	2,258
Diluted FFO	**$ 8,789**	$ 8,435	**$ 36,674**	$ 37,854
Diluted weighted average units outstanding [2]	**112,329**	102,685	**111,853**	109,209
Basic AFFO	**$ 7,466**	$ 7,789	**$ 30,304**	$ 32,996
Interest on dilutive convertible debentures	**-**	-	**2,410**	-
Diluted AFFO	**$ 7,466**	$ 7,789	**$ 32,714**	$ 32,996
Diluted weighted average units outstanding [2]	**103,966**	102,685	**111,853**	102,385
Diluted FFO per unit	**$0.078**	$ 0.082	**$ 0.328**	$ 0.347
Diluted AFFO per unit	**$0.072**	$ 0.076	**$ 0.292**	$ 0.322

(1) Based on actuals.
(2) Includes Class B exchangeable LP units.
(3) Includes distributions on Class B exchangeable LP units.
(4) Includes proportionate share of expenditures at equity-accounted investments.
(5) Prior year comparative has been restated for this new addition to REALpac's definition of FFO in 2017.

Basic FFO for the three months ended December 31, 2018 decreased by $253 thousand, or 3.0% over the prior year. Basic FFO per unit for the three months ended December 31, 2018 was 3.7% lower than the prior year.

More specifically, impacting FFO was:

- (i) growth in NOI of $1.0 million from developments/redevelopments/acquisitions;
- (ii) a decrease in NOI of $515 thousand from property sales, mainly due to the syndication of eight properties in the prior year;
- (iii) a decrease in same-asset NOI of $103 thousand, mainly due to higher operating costs, primarily at the enclosed malls;
- (iv) lease buyout revenues of $119 thousand recorded in the prior year; and
- (v) an increase in finance costs of $261 thousand mainly due to the large number of acquisitions, as well as higher debenture interest.

For the three months ended December 31, 2018, AFFO decreased by $323 thousand, or 4.1% over the prior year and AFFO per unit decreased by 5.3% over the prior year. The decrease in AFFO and AFFO per unit was mainly due to the decrease in FFO and FFO per unit described above.

Basic FFO for the twelve months ended December 31, 2018 decreased by $1.3 million, or 3.7% over the prior year. Basic FFO per unit for the twelve months ended December 31, 2018 decreased by 4.9% over the prior year. The decrease was mainly due to lease buyout revenues recorded in the prior year.

More specifically, impacting FFO was:

- (i) growth in NOI of $3.6 million from developments/redevelopments/acquisitions;
- (ii) a decrease in NOI of $1.8 million from property sales, mainly due to the syndication of eight properties in the prior year;
- (iii) lease buyout revenues of $1.7 million recorded in the prior year from two significant lease buyouts concluded during the second quarter of 2017;
- (iv) an increase in other income of $497 thousand mainly due to an increase in development and leasing fees earned from co-owned properties; and
- (v) an increase in finance costs of $1.1 million mainly due to $240 thousand of early mortgage discharge fees paid in the current year, compared to $56 thousand in the prior year, higher debenture interest due to the timing and amount of convertible debentures outstanding and higher mortgage interest, mainly from the large number of acquisitions.

For the twelve months ended December 31, 2018, AFFO decreased by $2.7 million, or 8.2% over the prior year and AFFO per unit decreased by 9.0% over the prior year. The decrease in AFFO was mainly due to the same factors impacting FFO as well as an increase in leasing costs relating to new tenancies. Leasing costs fluctuate depending on timing of new tenancies.

Excluding the one month overlap of interest on the convertible debentures, the impact of the 2017 lease buyouts and the early mortgage discharge fees, FFO per unit would have been 1.7% higher than the prior year mainly from net growth in NOI, and AFFO per unit would have only been 2.3% lower than the prior year due to the higher leasing costs.

Profit and Total Comprehensive Income for the Period

The Trust recorded a profit for the three months ended December 31, 2018 of $1.1 million compared to $9.5 million for the same period in the prior year. The decrease was mainly due to a decrease in the fair value of investment properties of $12.0 million, mainly attributable to an increase in capitalization rates in the quarter. This was partly offset by a net gain of $3.0 million compared to a net loss of $94 thousand in the prior year, relating to the non-cash fair value adjustment to convertible debentures.

The Trust recorded a profit for the twelve months ended December 31, 2018 of $12.2 million compared to $23.4 million for the same period in the prior year. The decrease was mainly due to convertible debenture issuance costs expensed, a decrease in NOI mainly due to lease buyout revenues recorded in the prior year, and an increase in losses from non-cash fair value adjustments. Specifically, profit was impacted by the same factors mentioned in the discussion of FFO above, as well as:

- (i) a decrease in the share of profit of associates of $2.1 million mainly relating to the non-cash fair value adjustment to the underlying investment properties and a fair value loss on the disposal of land at an underlying investment property;
- (ii) convertible debenture issuance costs incurred in the amount of $2.3 million in the current year for the Series E convertible debentures, which are fully expensed for accounting purposes upon issuance;

(iii) a net gain of $3.0 million compared to $339 thousand in the prior year, relating to the non-cash fair value adjustment to convertible debentures;
(iv) a net gain of $457 thousand compared to $970 thousand in the prior year, relating to the non-cash fair value adjustment to the Class B exchangeable LP units; and
(v) a net loss from non-cash fair value adjustments to investment properties of $18.4 million compared to $10.4 million in the prior year due to the increase in capitalization rates.

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

Same-asset categorization refers to those properties which were owned and operated by Plaza for the twelve months ended December 31, 2018 and the entire year ended December 31, 2017 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, 2018, approximately 47.4% 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, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018 (unaudited)**	12 Months Ended December 31, 2017 (unaudited)
Same-asset rental revenue	**$ 22,455**	$ 22,566	**$ 89,471**	$ 89,597
Same-asset operating expenses	**(3,735)**	(3,761)	**(13,584)**	(13,525)
Same-asset realty tax expense	**(4,200)**	(4,182)	**(17,042)**	(17,032)
Same-asset NOI	**$ 14,520**	$ 14,623	**$ 58,845**	$ 59,040

As noted in the chart above, the same-asset NOI for the three months ended December 31, 2018 was down 0.7% compared to the prior year. Higher operating costs, particularly at the enclosed malls, contributed to the decrease in same-asset NOI.

Same-asset NOI for the twelve months ended December 31, 2018 decreased by $195 thousand or 0.3% mainly due to $182 thousand of bad debt expense recorded due to a tenant going into creditor protection. Vacancies from two significant lease buyouts concluded during 2017, which impacted same-asset NOI by $276 thousand compared to the prior year, as well as vacancies at one of Plaza's enclosed malls, were offset by new lease up and rent increases in the portfolio. The lease buyouts were done in order to bring on other more stable tenants. As well, Plaza is in the process of stabilizing the occupancy at the enclosed mall. Occupancy at that mall is up 5% from December 31, 2017 and rents from some new tenants have commenced late in the quarter. Excluding the impact of the lease buyouts, same-asset NOI would have been up 0.1% over the prior year.

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

(000s except percentage data)	**3 Months Ended December 31, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018 (unaudited)**	12 Months Ended December 31, 2017 (unaudited)
New Brunswick	**$ 3,310**	$ 3,353	**$ 13,570**	$ 13,685
Nova Scotia	**2,627**	2,568	**10,534**	10,779
Quebec	**3,127**	3,318	**12,962**	13,063
Alberta	**94**	82	**362**	345
Manitoba	**195**	191	**777**	752
Ontario	**2,069**	2,038	**8,251**	8,135
Newfoundland and Labrador	**1,339**	1,305	**5,467**	5,627
Prince Edward Island	**1,759**	1,768	**6,922**	6,654
Same-asset NOI	**$ 14,520**	$ 14,623	**$ 58,845**	$ 59,040
Percentage increase (decrease) over prior period	**(0.7)%**		**(0.3)%**	

Net Property Operating Income (NOI)

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

(000s)	**3 Months Ended December 31, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018**	12 Months Ended December 31, 2017
Same-asset NOI	**$ 14,520**	$ 14,623	**$ 58,845**	$ 59,040
Developments and redevelopments transferred to income producing in 2017	**573**	558	**2,271**	1,774
Developments and redevelopments transferred to income producing in 2018 ($3.8 million annualized NOI)	**805**	364	**2,557**	1,787
Acquisitions ($2.4 million annualized NOI)	**391**	-	**1,287**	-
NOI from properties currently under development and redevelopment ($4.5 million annualized NOI)	**396**	206	**1,946**	908
Straight-line rent	**(49)**	(56)	**(228)**	(239)
Administrative expenses charged to NOI	**(858)**	(837)	**(3,306)**	(2,984)
Lease buyout revenue	**-**	119	**-**	1,676
Property disposals	**(28)**	487	**464**	2,283
Other	**(10)**	25	**88**	113
Total NOI	**$ 15,740**	$ 15,489	**$ 63,924**	$ 64,358

Share of Profit of Associates

Share of profit of associates consists of income from equity 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 Ontario1 Limited Partnership	25%	4%	25%
Plazacorp Ontario2 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario3 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario4 Limited Partnership	50%	n/a	n/a
RBEG Limited Partnership	50%	n/a	n/a
CPRDL Limited Partnership	50%	n/a	n/a
Fundy Retail Ltd.	50%	n/a	n/a
VGH Limited Partnership[(2)]	20%	8%	27%
Ste. Hyacinthe Limited Partnership	25%	n/a	n/a
144 Denison East Limited Partnership[(2)]	25%	n/a	n/a
The Shoppes at Galway Limited Partnership[(2)]	50%	n/a	n/a

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

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

Share of profit of associates for the three months ended December 31, 2018 includes Plaza's share of NOI of approximately $1.0 million, up from $844 thousand recorded in the prior year, mainly due to continued development at St. Jerome and construction of a new retail pad at Gateway Mall. Share of profit of associates decreased by $590 thousand for the three months ended December 31, 2018 compared to the three months ended December 31, 2017. The decrease was mainly due to non-cash fair value adjustments to the underlying investment properties, mainly from capitalization rate increases.

Share of profit of associates for the twelve months ended December 31, 2018 includes Plaza's share of NOI of approximately $4.1 million, up approximately $300 thousand compared to the prior year, mainly due to continued development at St. Jerome and construction of a new retail pad at Gateway Mall. Share of profit of associates decreased by $2.1 million for the twelve months ended December 31, 2018 compared to the twelve months ended December 31, 2017. The decrease was mainly due to a fair value loss on the disposal of land at an underlying investment property, partially offset by positive non-cash fair value adjustments to the underlying investment properties.

Overall committed occupancy for non-consolidated investments (excluding land under development) was 98.7% at December 31, 2018, compared to 97.9% at December 31, 2017.

Distributions received from associates for the three months ended December 31, 2018 were $207 thousand compared to $313 thousand for the three months ended December 31, 2017. Distributions received from associates for the twelve months ended December 31, 2018 were $1.3 million, compared to $1.4 million for the twelve months ended December 31, 2017.

On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own. The units were purchased by the Trust through the payment of $14.3 million in cash consideration. Unitholder debt outstanding in Northwest Plaza Commercial Trust in the amount of $859 thousand was also repaid by the Trust as part of the transaction. The two entities were previously included in investments and accounted for on an equity basis and fair value basis, respectively. Concurrent with this transaction, the Trust sold a 50% co-ownership interest in the two underlying properties, namely, Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, to a Canadian pension fund for gross proceeds of $20.5 million ($8.7 million after assumption of 50% of the existing mortgages). See also Part I of this MD&A under the heading "Acquisitions/Dispositions".

During the year, 144 Denison East Limited Partnership purchased land and building in Laval, QC for redevelopment for $1.2 million.

Finance Costs

Finance costs for the three months ended December 31, 2018 were $6.7 million, compared to $6.4 million for the same period in the prior year. Finance costs were impacted by:

(i) higher mortgage interest of $258 thousand, mainly due to the large amount of acquisitions; and
(ii) higher debenture interest of $112 thousand mainly due to the higher amount of convertible debentures outstanding compared to the prior year.

Finance costs for the twelve months ended December 31, 2018 were $26.8 million, compared to $25.6 million for the same period in the prior year. Finance costs were impacted by:

(i) higher debenture interest of $612 thousand mainly due to the issuance of $47.3 million of Series E convertible debentures on February 21, 2018, compared with the redemption of the $34.0 million Series D convertible debentures taking place on March 27, 2018;
(ii) higher mortgage interest of $479 thousand mainly due to the large amount of acquisitions;
(iii) higher operating line of credit interest of $188 thousand due to higher balances outstanding during the period; and
(iv) early mortgage discharge fees of $240 thousand paid on the early refinancing of loans, in order to lock in lower rates, compared to $56 thousand incurred in the prior year.

These were partly offset by higher capitalization of interest of $239 thousand.

Administrative Expenses

Administrative expenses for the three months ended December 31, 2018 was relatively consistent with the prior year (up by only $39 thousand) at $2.3 million.

Administrative expenses for the twelve months ended December 31, 2018 were $9.4 million, compared to $9.2 million for the same period in the prior year. The increase was mainly due to regular salary increases.

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

Change in Fair Value of Investment Properties

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

The Trust recorded a fair value decrease to investment properties of $9.9 million for the three months ended December 31, 2018 compared to a fair value increase of $2.1 million for the three months ended December 31, 2017. The Trust recorded a fair value decrease to investment properties of $18.4 million for the twelve months ended December 31, 2018 compared to a fair value decrease of $10.4 million for the twelve months ended December 31, 2017. The weighted average capitalization rate at December 31, 2018 was 7.25% compared to 7.02% at December 31, 2017 and 7.03% at September 30, 2018. The fair value adjustment recorded in the quarter was mainly due to the increase in capitalization rates in the quarter. For the current year to date, the fair value decrease recorded was largely due to the increase in capitalization rates since December 31, 2017, whereas the fair value decrease recorded in the prior year was largely due to changes in NOI.

Change in Fair Value of Convertible Debentures

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

The fair value adjustment to convertible debentures for the three months ended December 31, 2018 was a net gain of $3.2 million compared to a net loss of $94 thousand in the prior year. The fair value adjustment to convertible debentures for the twelve months ended December 31, 2018 was a net gain of $3.0 million compared to a net gain of $339 thousand in the prior year.

Change in Fair Value of Class B Exchangeable LP Units

The Class B exchangeable LP units were issued effective January 1, 2015 in connection with the purchase by Plaza of the interests of certain equity partners in eight properties located in New Brunswick and Prince Edward Island. 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. In October 2018, 75 thousand exchangeable LP units were exchanged for Plaza units.

The fair value adjustment to Class B exchangeable LP units for the three months ended December 31, 2018 was a net gain of $381 thousand compared to $152 thousand in the prior year. The fair value adjustment to Class B exchangeable LP units for the twelve months ended December 31, 2018 was a net gain of $457 thousand compared to $970 thousand in the prior year.

LEASING AND OCCUPANCY

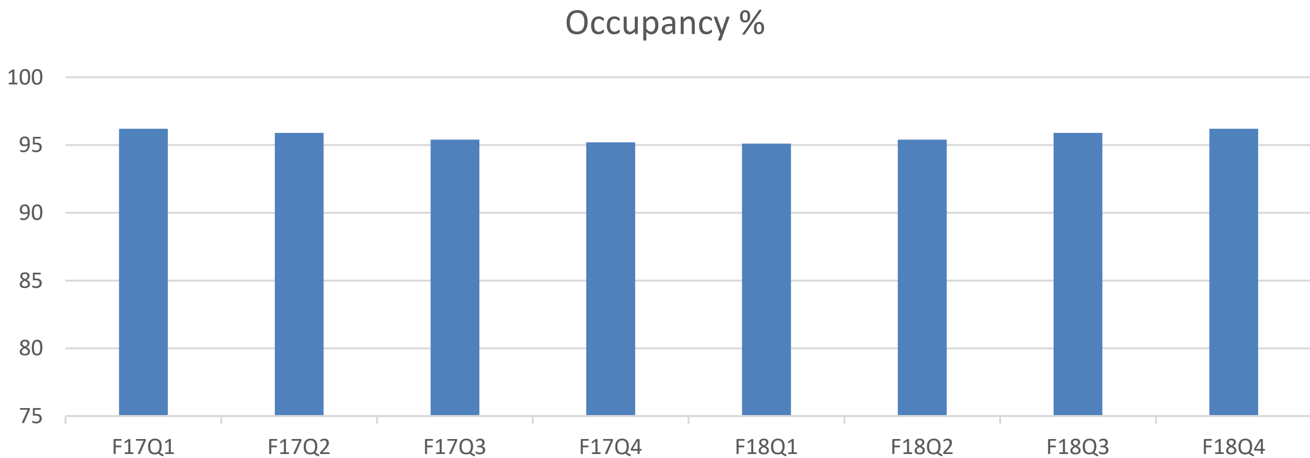
The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at December 31, 2018 (excluding developments, redevelopments and non-consolidated investments).

	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]**	**%**
2019	276,444	6.3	95,860	15.2	19,504	2.2	21,595	9.9	**413,403**	**6.7**
2020	573,365	13.0	63,912	10.1	111,214	12.3	15,944	7.3	**764,435**	**12.4**
2021	537,869	12.2	24,314	3.9	38,537	4.3	13,344	6.1	**614,064**	**10.0**
2022	426,040	9.7	54,813	8.7	103,739	11.4	48,062	22.0	**632,654**	**10.3**
2023	561,173	12.7	59,390	9.4	152,739	16.8	35,268	16.2	**808,570**	**13.1**
Thereafter	2,030,862	46.1	332,845	52.7	480,831	53.0	83,848	38.5	**2,928,386**	**47.5**
Subtotal	4,405,753	100.0	631,134	100.0	906,564	100.0	218,061	100.0	**6,161,512**	**100.0**
Vacant	173,782		81,319		2,485		10,728		**268,314**	
Total	**4,579,535**		**712,453**		**909,049**		**228,789**		**6,429,826**	
Weighted average lease term	**5.9 years**		**3.3 years**		**6.5 years**		**7.0 years**		**5.7 years**	

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

At December 31, 2018, overall committed occupancy for the portfolio (excluding properties under development, redevelopment and non-consolidated investments) was 96.2% compared to 95.2% at December 31, 2017. Same-asset committed occupancy was 96.0% at December 31, 2018, compared to 95.4% at December 31, 2017.

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



The weighted average contractual base rent per square foot on renewals/new leasing in 2018 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
2018				
Leasing renewals (sq. ft.)	401,582	103,970	27,282	142,317
Weighted average rent ($/sq. ft.)	$11.86	$16.68	$13.50	$27.99
Change in weighted average rent	3.4%	-%	6.6%	4.7%
Expiries that renewed (sq. ft.)	401,582	103,970	27,282	142,317
Weighted average rent ($/sq. ft.)	$11.46	$16.68	$12.67	$26.73
New leasing (sq. ft.)	195,389	65,392	20,218	1,484
Weighted average rent ($/sq. ft.)	$14.66	$13.03	$24.38	$37.06
Expiries not renewed (sq. ft.)	141,979	45,391	9,469	6,618
Weighted average rent ($/sq. ft.)	$10.38	$14.85	$29.56	$30.39
2019				
Expiries (sq. ft.)	276,444	95,860	19,504	21,595
Weighted average rent ($/sq. ft.)	$13.37	$13.00	$20.00	$30.72

In addition, for the twelve months ended December 31, 2018, the Trust completed 215 thousand square feet of new and renewal leasing deals on developments and redevelopments at market rates and 110 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

During the year, the Trust finalized lease renewals on 150,000 square feet or 62 sites with its two primary KFC operators. Most of these leases were set to expire in 2018. Stand-alone KFC restaurants make up approximately 218,000 square feet of Plaza's portfolio. The two KFC operators have 81 sites and represent 90% of Plaza's total KFC square footage. The renewals have an average rental increase in the first year of approximately 5% and an average lease term of approximately 7 years.

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:

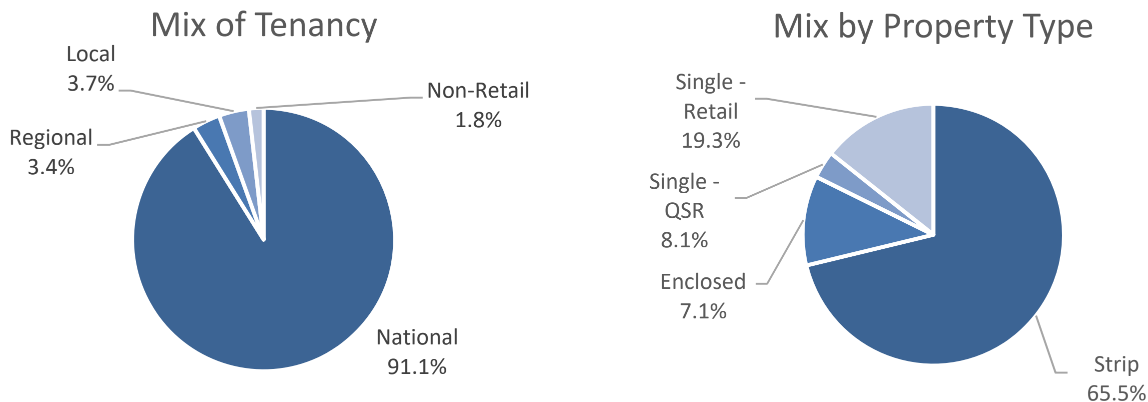
- Committed occupancy in the strip plazas was 96.7% at December 31, 2018, compared to 95.6% at December 31, 2017.
- Committed occupancy for enclosed malls was 88.6% at December 31, 2018, compared to 85.8% at December 31, 2017.
- Committed occupancy for single use assets was 98.8% at December 31, 2018, compared to 100% at December 31, 2017.
- Pre-leased space in active properties under development was 78.9% at December 31, 2018.

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, 2018 represent approximately 55.4% of total base rent revenues in place.

	% of Base Rent Revenue[5]		% of Base Rent Revenue[5]
1. Shoppers Drug Mart	24.9	6. TJX Group[4]	3.3
2. KFC[1]	6.7	7. Staples	2.9
3. Dollarama	5.0	8. Rexall Pharma Plus	2.0
4. Canadian Tire Group[2]	4.0	9. Bulk Barn	1.7
5. Sobeys Group[3]	3.5	10. Metro/Jean Coutu	1.4

(1) The majority is represented by 3 operators.
(2) Canadian Tire Group represents the following stores: Canadian Tire, Mark's/L'Équipeur, Paderno and Sport Chek.
(3) Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.
(4) TJX Group represents the following stores: Winners, HomeSense, and Marshalls.
(5) Excludes developments, redevelopments and non-consolidated investments.

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



PART III

OPERATING LIQUIDITY AND WORKING CAPITAL

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

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

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

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

(000s)	**3 Months Ended December 31, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018**	12 Months Ended December 31, 2017
Total distributions[1]	**$ 7,281**	$ 6,937	**$ 28,997**	$ 27,674
Less: Distribution Reinvestment Plan proceeds[2]	**(486)**	(1,148)	**(4,586)**	(2,607)
Cash distributions paid	**$ 6,795**	$ 5,789	**$ 24,411**	$ 25,067

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

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

Commencing with the October 2018 distribution, payable November 15, 2018, the Trust suspended its DRIP until further notice due to the Trust's previous announcement of a normal course issuer bid (see further details in Part III of this MD&A under the heading "Units". As a result, unitholders enrolled in the DRIP began receiving distribution payments in cash. If Plaza elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP.

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

(000s)	**3 Months Ended December 31, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018**	12 Months Ended December 31, 2017
Cash provided by operating activities[1]	**$ 10,605**	$ 10,186	**$ 33,622**	$ 35,782
Total distributions[2]	**(7,280)**	(6,937)	**(28,997)**	(27,674)
Excess of cash provided by operating activities over total distributions	**$ 3,325**	$ 3,249	**$ 4,625**	$ 8,108

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

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

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

CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES

Operating and Development Facilities

(000s)	$44.0 Million Operating	$20.0 Million Development	$15.0 Million Development
December 31, 2017[(1)]	$ 29,538	$ 2,710	$ 4,592
Net change	6,066	8,869	293
December 31, 2018[(1)]	$ 35,604	$ 11,579	$ 4,885
Interest rate	Prime + 0.75% or BA + 2.00%	Prime + 0.75% or BA + 2.25%	Prime + 0.75% or BA + 2.00%
Maturity	July 31, 2020	July 31, 2019	July 31, 2020
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service & maximum leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	$2.0 million	$1.5 million	$0.5 million
Issued and outstanding	$0.9 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, 2018, all debt covenants in respect of the above facilities have been maintained.

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

Mortgage Bonds

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

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

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

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

mortgage bonds at par on the fourth anniversary for the Series X mortgage bonds and the second anniversary for the Series XII mortgage bonds, being: June 25, 2019 for the Series X mortgage bonds and July 15, 2019 for the Series XII mortgage bonds.

Debentures

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

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

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

	Use of Proceeds		
(000s)	Per Prospectus	Actuals	Variance
Redemption of Series D convertible debentures	$ 34,000	$ 34,000	$ -
Total	$ 34,000	$ 34,000	$ -

The Trust extended $3.86 million of the $4.0 million of tranched Series I non-convertible debentures to May 2, 2021 on the same terms and conditions.

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

Mortgages

During 2018 the Trust obtained new long-term financing in the amount of $36.0 million (at Plaza's consolidated share) with a weighted average term of 7.1 years and a weighted average interest rate of 4.53%.

The Trust had a $3.0 million variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bore interest at prime plus 1.25% or BAs plus 2.50% and matured on May 26, 2018. The loan was repaid upon maturity.

The Trust had a $907 thousand variable rate secured construction loan/credit facility on another one of its redevelopment projects. The loan bore interest at prime plus 1.00% or BAs plus 2.50% and matured on September 15, 2018. The loan was repaid upon maturity.

The Trust has a $6.6 million variable rate secured construction loan/credit facility in connection with the acquisition of a redevelopment project. The loan bears interest at prime plus 2.25% or BAs plus 3.75%, reducing to prime plus 1.25% or BAs plus 2.75% on the second draw (once construction commences), and matures on November 30, 2019. At December 31, 2018, $1.95 million has been drawn on the loan.

In January 2018, the Trust obtained a $14.9 million variable rate secured construction loan/credit facility in connection with the acquisition of a redevelopment project. Upon the sale of a 50% co-ownership interest in the underlying property in the second quarter of 2018, 50% of this facility was assumed by the partner. The loan bears interest at prime plus 1.25% or BAs plus 2.50%, and matures on January 10, 2020. At December 31, 2018 at Plaza's proportionate share, $6.0 million has been drawn on the loan.

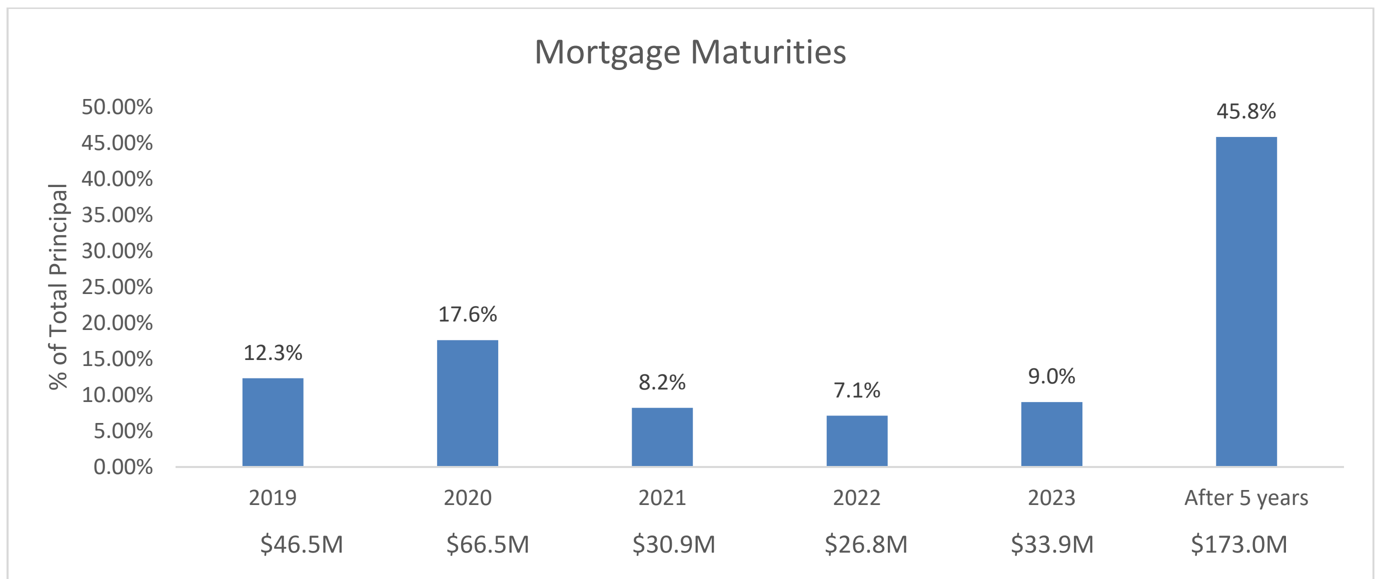
In January 2018, the Trust closed on a short-term bridge financing related to a property acquisition in the amount of $3.0 million at 6.0% for 6 months. The loan was repaid upon maturity.

Subsequent to year end, long-term financing was obtained in the amount of $11.0 million with a term of 10 years and an interest rate of 3.67%. This property is held in a non-consolidated investment of which the Trust owns 25%.

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

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

The following is a maturity chart of mortgages by year:



Weighted average expiring rate on long-term fixed-rate mortgages

4.01%	4.70%	4.94%	4.35%	5.00%	4.22%

The weighted average term to maturity for the long-term mortgages is 5.5 years. The average remaining repayment (amortization) period on long-term mortgage debt is 22.8 years.

Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three and twelve months ended December 31, 2018, compared to the three and twelve months ended December 31, 2017 is presented below:

(000s – except debt service ratios)	**3 Months Ended December 31, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018**	12 Months Ended December 31, 2017
Profit and total comprehensive income for the period	**$ 1,068**	$ 9,530	**$ 12,212**	$ 23,447
Add (deduct):				
Income taxes	**(537)**	295	**(175)**	119
Finance costs	**6,666**	6,405	**26,752**	25,646
Finance costs - convertible debenture issuance costs	**-**	-	**2,280**	-
Fair value adjustment to investment properties	**9,865**	(2,124)	**18,405**	10,392
Fair value adjustment to investments	**1,209**	600	**4,119**	1,876
Fair value adjustment to convertible debentures	**(3,159)**	94	**(3,022)**	(339)
Fair value adjustment to Class B exchangeable LP units	**(381)**	(152)	**(457)**	(970)
Fair value adjustment to restricted share units	**(28)**	(5)	**(30)**	(17)
Fair value adjustment to interest rate swaps and bond forwards	**50**	-	**(39)**	-
Equity accounting adjustment for interest rate swaps and bond forwards	**9**	(23)	**(49)**	(138)
EBITDA	**$ 14,762**	$ 14,620	**$ 59,996**	$ 60,016
Finance costs[(1)]	**$ 6,629**	$ 6,348	**$ 26,413**	$ 25,387
Periodic mortgage principal repayments	**2,698**	2,606	**10,730**	10,416
Total debt service	**$ 9,327**	$ 8,954	**$ 37,143**	$ 35,803
Debt service ratios				
Interest coverage ratio	**2.23 times**	2.30 times	**2.27 times**	2.36 times
Debt coverage ratio	**1.58 times**	1.63 times	**1.62 times**	1.68 times

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

For the three months ended December 31, 2018, the interest and debt coverage ratios were lower than the prior year mainly due to higher mortgage interest from new developments financed. For the twelve months ended December 31, 2018, the interest and debt coverage ratios were lower than the prior year mainly due to $1.6 million in lease buyout revenues recorded in the prior year, as well as higher debenture interest expense due to the fact that a higher face value of Series E convertible debentures were issued on February 21, 2018, versus the redemption of the Series D convertible debentures (which were redeemed on March 27, 2018). The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements.

Debt to Gross Assets

Plaza's debt to gross assets is presented below:

	December 31, 2018	December 31, 2017
Debt to gross assets:		
Including convertible debentures[(1)]	54.7%	52.2%
Excluding convertible debentures	49.7%	48.4%

(1) Convertible debentures valued at cost.

Including convertible debentures, the current year ratio was impacted by the issuance of the $47.25 million Series E convertible debentures versus the repayment of the $34.0 million Series D convertible 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

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 26, 2019 (000s) (unaudited)	Units
Current outstanding units	**102,824**
Class B exchangeable LP units	**1,191**
Series VII convertible debentures	**911**
Series E convertible debentures	**8,363**
Total adjusted units outstanding	**113,289**

Effective September 28, 2018, the Trust instituted a normal course issuer bid ("NCIB"). Pursuant to the NCIB, the Trust can purchase through the facilities of the TSX and any alternative trading system in Canada, from time to time over the next twelve months, if considered advisable, up to an aggregate of 8,025,793 of the Trust's issued and outstanding units. All units that are purchased under the NCIB will be cancelled. The NCIB will conclude on the earlier of the date on which purchases under the bid have been completed and September 27, 2019. Daily purchases made by the Trust may not exceed 14,623 units, being 25% of the average daily trading volume of the units on the TSX for the six month period ended August 31, 2018, subject to certain prescribed exemptions and any block purchase made in accordance with the rules of the TSX. No purchases under the NCIB have been made to date.

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 $3.3 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 8.8% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2022 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options. Of the 26 land leases, 10 of the land leases have options to purchase, generally at fair market value.

Gross Capital Additions Including Leasing Fees:

(000s)	**3 Months Ended December 31, 2018 (unaudited)**	3 Months Ended December 31, 2017 (unaudited)	**12 Months Ended December 31, 2018 (unaudited)**	12 Months Ended December 31, 2017 (unaudited)
Existing properties				
Leasing commissions	**$ 53**	$ 39	**$ 338**	$ 157
Other leasing costs	**456**	157	**1,836**	605
	509	196	**2,174**	762
Maintenance capital expenditures	**75**	287	**869**	1,098
Total capital additions – existing properties	**584**	483	**3,043**	1,860
Development/redevelopment properties				
Leasing commissions	**225**	82	**654**	161
Other leasing costs	**3,713**	1,465	**11,424**	2,172
Capital additions	**3,538**	2,409	**10,346**	16,556
Total capital additions - developments/redevelopments	**7,476**	3,956	**22,424**	18,889
Total gross additions per statements of cash flows	**$ 8,060**	$ 4,439	**$ 25,467**	$ 20,749
Reconciliation of leasing costs for AFFO purposes				
Leasing costs – existing properties per above	**$ 509**	$ 196	**$ 2,174**	$ 762
Internal leasing salaries	**221**	228	**1,199**	1,021
Total leasing costs – existing properties for AFFO purposes	**$ 730**	$ 424	**$ 3,373**	$ 1,783

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Trust has $20.8 million in short-term commitments in respect of development activities. Management believes that Plaza has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments.

The Trust's estimated commitments at December 31, 2018 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2019	**Year 2 2020**	**Year 3 2021**	**Year 4 2022**	**Year 5 2023**	**After 5 Years**	**Face Value Total**
Mortgages – periodic payments	$10,371	$9,753	$8,192	$7,928	$6,376	$24,945	$67,565
Mortgages – due at maturity	46,523	66,532	30,905	26,844	33,924	173,019	377,747
Development lines of credit	11,579	4,885	-	-	-	-	16,464
Construction loans	1,950	5,988	-	-	-	-	7,938
Bank indebtedness	-	35,604	-	-	-	-	35,604
Mortgage bonds payable	6,000	6,000	-	3,000	-	-	15,000
Debentures[(1)]	-	-	9,360	6,000	47,250	-	62,610
Operating land leases	3,272	3,316	3,337	3,327	3,293	124,636	141,181
Development activities	20,791	-	-	-	-	-	20,791
Total contractual obligations	**$100,486**	**$132,078**	**$51,794**	**$47,099**	**$90,843**	**$322,600**	**$744,900**

(1) Stated at face value.

Contingent Liabilities

The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of the underlying properties, where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales

did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2018 totals $5.1 million with a weighted average remaining term of 4.1 years. As well, the Trust has contingent liabilities as original borrower on eight mortgages partially assumed by the purchasers of the underlying properties, where a 50% interest in each was sold in November 2017. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at December 31, 2018 totals $9.8 million with a weighted average remaining term of 5.0 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of $14.2 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of $523 thousand. This amount is subject to cross-guarantees by the other co-owners.

PART IV

SUMMARY OF SELECTED QUARTERLY INFORMATION

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

(000s except per unit and percentage data) (unaudited)	**Q4'18**	Q3'18	Q2'18	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17
Total revenue[1]	**$26,162**	$27,077	$28,639	$23,558	$26,461	$26,817	$27,839	$24,846
Property rental revenue	**$26,068**	$25,723	$26,260	$25,966	$25,679	$25,113	$26,755	$25,340
Net property operating income	**$15,740**	$16,699	$16,125	$15,360	$15,489	$16,308	$17,248	$15,313
Profit (loss) and total comprehensive income (loss)	**$1,068**	$6,983	$7,327	$(3,166)	$9,530	$7,611	$6,027	$279
Distributions per unit	**7.0¢**	7.0¢	7.0¢	7.0¢	6.75¢	6.75¢	6.75¢	6.75¢
Funds from operations per unit – basic	**7.9¢**	9.0¢	8.2¢	7.9¢	8.2¢	8.9¢	9.5¢	8.1¢
Funds from operations per unit – diluted	**7.8¢**	8.9¢	8.2¢	7.9¢	8.2¢	8.9¢	9.4¢	8.1¢
Adjusted funds from operations per unit – basic	**7.2¢**	7.8¢	7.0¢	7.2¢	7.6¢	8.3¢	8.7¢	7.6¢
Adjusted funds from operations per unit – diluted	**7.2¢**	7.8¢	7.0¢	7.2¢	7.6¢	8.3¢	8.7¢	7.6¢
Distributions as a percentage of basic FFO	**89.0%**	77.4%	85.0%	88.1%	82.2%	75.4%	71.0%	83.7%
Distributions as a percentage of basic AFFO	**97.5%**	89.4%	99.5%	97.0%	89.1%	81.6%	77.2%	88.9%
Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**6,430**	6,358	6,326	6,065	5,547	5,542	5,525	5,516
Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)								
Total income producing properties	**96.2%**	95.9%	95.4%	95.1%	95.2%	95.4%	95.9%	96.2%

(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, 2018, approximately 47.4% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (CAM) cost recoveries. As a result of all of these factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs as well as yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.

PART V

RISKS AND UNCERTAINTIES

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At December 31, 2018, the Trust held interests in 287 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 28 to the December 31, 2018 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 22, 2018 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. Matching as closely as possible the debt term on a particular asset with its average lease term, helps ensure that any interest rate increases could be offset by increases in rental rates.

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used on its operating line of credit and for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The hypothetical impact of a 1% change in interest rates would be approximately $600 thousand. The Trust mitigates its exposure to fixed-rate interest risk on its debt by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. At existing financing rates, the Trust is able to obtain positive returns from debt financing. The quality of the Trust's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Trust has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management believes that all debts maturing in 2019 or properties needing long term financing in 2019 will be able to be financed or refinanced as they come due.

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

Credit Risk

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

Currently one tenant, Shoppers Drug Mart, represents 24.9% of current monthly base rents in place, while franchisees of KFC represent 6.7%. The top 10 tenants collectively represent approximately 55.4% of current monthly base rents in place. National and regional tenants represent 94.5% of the tenant base, based on base rents in place.

Lease Roll-Over and Occupancy Risk

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

Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space. As well, management attempts to stagger the lease expiry profile so that Plaza is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix by geographic location and ensuring that the Trust maintains a well-staffed and highly skilled leasing department 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 $600 thousand to $1.0 million per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes.

Development and Acquisition Risk

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

Environmental Risk

Plaza is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as asbestos or petroleum products. Environmental risk is relevant to Plaza's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Plaza. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plaza's portfolio, or of any material pending or threatened actions, investigations or claims against Plaza relating to environmental matters. Plaza manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environmental risk before 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, 2018	December 31, 2017
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, 2018	December 31, 2017
Edouard Babineau	**$ 150**	$ 150
Earl Brewer	**450**	425
Stephen Johnson	**300**	300
Michael Zakuta	**100**	100
Total	**$ 1,000**	$ 975

Other key management personnel own $20 thousand in mortgage bonds of the Trust at December 31, 2018.

Other Related Party Transactions

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

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. There is a $60 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees. For the twelve months ended December 31, 2018, property management, development and leasing fees of $212 thousand were earned by a subsidiary of the Trust from this property. There is a $405 thousand note receivable owing to the Trust relating to short-term funding requirements for the construction of a retail pad on the property.

Until January 31, 2018, Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own. A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, development and leasing fees of $18 thousand were earned by a subsidiary of the Trust from this property.

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

Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At December 31, 2018 there is $5.6 million owed by the properties to the Trust which is recorded in notes and advances receivable. As well, there is a $5 thousand accounts receivable balance owing to the Trust for property management, leasing, development and financing fees. For the twelve months ended December 31, 2018, property management, leasing and development fees of $453 thousand were earned by a subsidiary of the Trust from these properties.

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

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2018, property management fees of $5 thousand were earned by a subsidiary of the Trust from these properties.

Edouard Babineau, Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At December 31, 2018 there is a $5 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees. For the twelve months ended December 31, 2018, property management, leasing and development fees of $168 thousand were earned by a subsidiary of the Trust from these properties.

Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2018, property management fees of $32 thousand were earned by a subsidiary of the Trust from these properties.

Effective December 1, 2017, Edouard Babineau, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At December 31, 2018 there is a $9 thousand accounts receivable balance owing to the Trust for property management fees. For the twelve months ended December 31, 2018, property management, leasing and development fees of $125 thousand were earned by a subsidiary of the Trust from these properties.

PART VII

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

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

The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design and operating effectiveness of the Trust's DC&P and ICFR at December 31, 2018. Based on that evaluation they determined that the Trust's DC&P and ICFR were appropriately designed and were operating effectively based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the twelve months ended December 31, 2018, 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.

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

(a) External appraisals

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

(b) Internal approach – direct capitalization income approach

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

At December 31, 2018 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $35.2 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $32.8 million.

FUTURE ACCOUNTING POLICY CHANGES

The following standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2018, and have not been applied in preparing the Consolidated Financial Statements. Please also refer to Note 3 to the Consolidated Financial Statements for the year ended December 31, 2018 for additional details about future accounting policy changes.

(i) Leases

In January 2016, the IASB issued IFRS 16, Leases (“IFRS 16”). The new standard replaces existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. Lessor accounting remains similar to the current standard and the distinction between operating and finance leases is retained. The new standard is effective beginning January 1, 2019.

The Trust has investment properties located on land which is leased. Under current IFRS 17, Leases, these leases are accounted for as operating leases and the related lease payments are expensed. It is expected that under the new lease standard, a right-of-use (“ROU”) asset and a lease obligation liability will be recorded along with the corresponding financing charges. The ROU asset will be accounted for as investment property, as these land leases meet the definition of investment property under IAS 40. Management has estimated the liability and corresponding ROU asset to be approximately $60 - $70 million.

The nature and timing of the related expenses will change as IFRS 16 replaces the straight-line operating lease expense with interest expense on lease liabilities. Changes in the fair value of the ROU asset will be recorded within change in fair value of investment properties.

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

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

EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

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

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

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

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

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

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

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

Same-Asset Net Property Operating Income (Same-asset NOI) is not an IFRS financial measure. Same-asset NOI, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. Same-asset NOI is used by Plaza to evaluate the period over period performance of those properties owned by Plaza since January 1, 2017, and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition. Its calculation is revenues less operating expenses for the same-asset pool of properties. The revenues or operating expenses exclude the impact of non-cash straight-line rent, administrative expenses charged to NOI, property tax settlements and lease buyout revenue. Excluding these items enables the users to better understand the period over period performance for a consistent pool of assets from contractual rental rate changes embedded in lease agreements, and the impact of leasing and occupancy on the same-asset portfolio. See the reconciliation of same-asset NOI to NOI in Part II of this MD&A under the heading "Property and Corporate Financial Performance".

EXPLANATION OF ADDITIONAL IFRS MEASURES USED IN THIS DOCUMENT

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

consolidated statements of comprehensive income (property revenues less total property operating costs, including operating ground rents).

ADDITIONAL INFORMATION

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

PROPERTIES OF THE TRUST

A chart listing the Trust's properties at December 31, 2018 can be accessed on Plaza's website at www.plaza.ca.

APPENDIX A

FOURTH QUARTER 2018 INCOME RESULTS

Consolidated Statements of Comprehensive Income

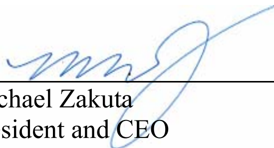
(000s) (unaudited)	**3 Months Ended December 31, 2018**	3 Months Ended December 31, 2017
Revenues	**$ 26,068**	$ 25,679
Operating expenses	**(10,328)**	(10,190)
Net property operating income	**15,740**	15,489
Share of profit of associates	**(573)**	17
Administrative expenses	**(2,262)**	(2,223)
Investment income	**163**	163
Other income	**504**	602
Income before finance costs, fair value adjustments and income taxes	**13,572**	14,048
Finance costs	**(6,666)**	(6,405)
Finance costs – net change in fair value of convertible debentures	**3,159**	(94)
Finance costs – net change in fair value of Class B exchangeable LP units	**381**	152
Finance costs – net change in fair value of interest rate swaps and bond forwards	**(50)**	-
Net change in fair value of investment properties	**(9,865)**	2,124
Profit before income tax	**531**	9,825
Income tax recovery (expense)		
- Current	**(90)**	(88)
- Deferred	**627**	(207)
	537	(295)
Profit and total comprehensive income for the period	**$ 1,068**	$ 9,530
Profit and total comprehensive income for the period attributable to:		
- Unitholders	**$ 1,055**	$ 9,431
- Non-controlling interests	**13**	99
	$ 1,068	$ 9,530

Management's Statement of Responsibility for Financial Reporting

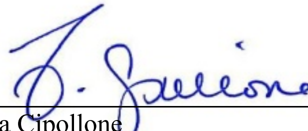
The accompanying consolidated financial statements and information contained in the Annual Report have been prepared by, and are the responsibility of, the management of the Trust. The financial statements have been prepared within accepted limits of materiality and in accordance with the International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

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

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



Michael Zakuta
President and CEO
February 26, 2019



Floriana Cipollone
Chief Financial Officer
February 26, 2019

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Plaza Retail REIT

Opinion

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

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

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

Fredericton, Canada

February 26, 2019

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KPMG Canada provides services to KPMG LLP.

Plaza Retail REIT

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

	December 31, 2018	December 31, 2017
Assets		
Non-Current Assets		
Investment properties (Note 5)	**$ 988,640**	$ 959,618
Investments (Note 6)	**44,614**	45,550
Tenant loans	**613**	403
Deferred income tax asset (Note 16)	**461**	520
Total non-current assets	**1,034,328**	1,006,091
Current Assets		
Cash	**7,296**	6,250
Receivables (Note 7)	**3,398**	4,480
Prepaid expenses and deposits (Note 8)	**3,390**	4,067
Tenant loans	**105**	448
Notes and advances receivable (Note 9)	**12,549**	9,999
Total current assets	**26,738**	25,244
Total assets	**$ 1,061,066**	$ 1,031,335
Liabilities and Unitholders' Equity		
Non-Current Liabilities		
Debentures payable (Note 10)	**$ 59,835**	$ 11,437
Mortgage bonds payable (Note 11)	**8,893**	14,764
Mortgages payable (Note 12)	**399,867**	410,879
Class B exchangeable LP units (Note 21)	**4,622**	5,393
Deferred income tax liability (Note 16)	**7,078**	7,547
Total non-current liabilities	**480,295**	450,020
Current Liabilities		
Current portion of debentures payable (Note 10)	**-**	38,336
Current portion of mortgage bonds payable (Note 11)	**5,970**	-
Bank indebtedness (Note 13)	**35,604**	29,538
Current portion of mortgages payable (Note 12)	**68,471**	33,700
Accounts payable, accrued liabilities, tenant payables and tenant deposits (Note 14)	**17,683**	15,222
Notes payable (Note 15)	**1,341**	1,424
Total current liabilities	**129,069**	118,220
Total liabilities	**609,364**	568,240
Unitholders' equity	**447,181**	458,864
Non-controlling interests	**4,521**	4,231
Total unitholders' equity	**451,702**	463,095
Total liabilities and unitholders' equity	**$ 1,061,066**	$ 1,031,335

Contingencies, commitments, guarantees and indemnities, litigation and provisions – see Note 27
Subsequent events – see Note 30

Barbara Trenholm, Trustee

Earl Brewer, Trustee

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

Plaza Retail REIT

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)	**2018**	2017
Revenues (Note 17)	**$104,017**	$ 102,887
Operating expenses (Note 18)	**(40,093)**	(38,529)
Net property operating income	**63,924**	64,358
Share of profit of associates	**(1,492)**	587
Administrative expenses (Note 19)	**(9,387)**	(9,139)
Investment income	**688**	763
Other income	**2,223**	1,726
Income before finance costs, fair value adjustments and income taxes	**55,956**	58,295
Finance costs (Note 20)	**(26,752)**	(25,646)
Finance costs – convertible debenture issuance costs (Note 10)	**(2,280)**	-
Finance costs - net change in fair value of convertible debentures (Note 10)	**3,022**	339
Finance costs - net change in fair value of Class B exchangeable LP units (Note 21)	**457**	970
Finance costs - net change in fair value of interest rate swaps and bond forwards (Notes 12 and 28)	**39**	-
Net change in fair value of investment properties (Note 5)	**(18,405)**	(10,392)
Profit before income tax	**12,037**	23,566
Income tax recovery (expense)		
- Current	**(235)**	(183)
- Deferred	**410**	64
	175	(119)
Profit and total comprehensive income for the period	**$ 12,212**	$ 23,447
Profit and total comprehensive income for the period attributable to:		
- Unitholders	**$ 12,063**	$ 23,232
- Non-controlling interests	**149**	215
	$ 12,212	$ 23,447

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

Plaza Retail REIT

Consolidated Statements of Changes in Unitholders' Equity

(in thousands of Canadian dollars)

	Trust Units (Note 21)	Retained Earnings	Total Attributable to Unitholders	Non-Controlling Interests	Total Equity
Balance as at December 31, 2016	$ 258,011	$ 189,794	$ 447,805	$ 3,938	$ 451,743
Profit and total comprehensive income for the period	-	23,232	23,232	215	23,447
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	2,702	-	2,702	-	2,702
- Units issued through debt conversion	12,213	-	12,213	-	12,213
- Units issued from exchange of Class B exchangeable LP units	232	-	232	-	232
- Distributions to unitholders (Note 23)	-	(27,320)	(27,320)	-	(27,320)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	78	78
Balance as at December 31, 2017	**$ 273,158**	**$ 185,706**	**$ 458,864**	**$ 4,231**	**$ 463,095**
Profit and total comprehensive income for the period	-	12,063	12,063	149	12,212
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	4,586	-	4,586	-	4,586
- Units issued from exchange of Class B exchangeable LP units	314	-	314	-	314
- Distributions to unitholders (Note 23)	-	(28,646)	(28,646)	-	(28,646)
- Contributions to (distributions from) non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	141	141
Balance as at December 31, 2018	**$ 278,058**	**$ 169,123**	**$ 447,181**	**$ 4,521**	**$ 451,702**

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

Plaza Retail REIT

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	2018	2017
Cash obtained from (used for):		
Operating activities		
Profit and total comprehensive income for the period	**$ 12,212**	$ 23,447
Items not affecting cash:		
Finance costs (Note 20)	**26,752**	25,646
Share of profit of associates	**1,492**	(587)
Net change in fair value of investment properties	**18,405**	10,392
Net change in fair value of convertible debentures	**(3,022)**	(339)
Net change in fair value of Class B exchangeable LP units	**(457)**	(970)
Net change in fair value of interest rate swaps and bond forwards (Notes 12 and 28)	**(39)**	-
Current and deferred income taxes	**(175)**	119
Straight-line rent (Note 17)	**228**	239
Interest paid	**(24,811)**	(24,345)
Income taxes paid	**(164)**	(168)
Distributions from equity accounted investments (Note 6)	**1,338**	1,376
Leasing commissions paid	**(338)**	(157)
Change in non-cash working capital (Note 24)	**2,201**	1,129
	33,622	35,782
Financing activities		
Cash paid on conversion of convertible debentures	**-**	(1,454)
Cash distributions paid to unitholders (Note 23)	**(24,060)**	(24,713)
Cash distributions paid to Class B exchangeable LP unitholders (Note 20)	**(351)**	(354)
Cash received on acquisition of Plazacorp – Shediac Limited Partnership and Northwest Plaza Commercial Trust (Note 4)	**739**	-
Gross proceeds from mortgage bonds and debentures	**48,655**	9,000
Fees incurred for bonds and debentures	**(53)**	(232)
Redemption/repayment of mortgage bonds and debentures	**(35,545)**	(5,276)
Gross mortgage proceeds	**65,373**	36,933
Fees incurred for placement of mortgages	**(480)**	(415)
Loan defeasance expenses and early mortgage discharge fees paid (Note 20)	**(240)**	(56)
Mortgages repaid	**(38,783)**	(31,975)
Periodic mortgage principal repayments	**(10,730)**	(10,416)
Increase (decrease) in notes payable	**(83)**	234
	4,442	(28,724)
Investing activities		
Acquisitions of investment properties and land (Note 5)	**(36,877)**	(11,494)
Investment properties – additions	**(25,129)**	(20,592)
Net proceeds from disposal of investment properties and land (Note 5(e))	**40,976**	9,282
Net proceeds from disposal of investment properties and land on properties previously classified as held for sale (Note 5(e))	-	92
Advances to equity accounted investments for developments (Note 6)	**(5,161)**	(1,039)
Contributions to/(distributions from) subsidiaries from/to non-controlling interests	**141**	78
Repayment of Northwest Plaza Commercial Trust unitholder debt (Note 4)	**(859)**	-
Purchase of remaining units of Northwest Plaza Commercial Trust and Plazacorp – Shediac Limited Partnership (Note 4)	**(14,296)**	-
Decrease (increase) in deposits for acquisitions and financings (Note 8)	**538**	(1,686)
Decrease (increase) in notes and advances receivable	**(2,550)**	1,929
Issuance of tenant loans	**(331)**	(5)
Repayment of tenant loans	**464**	469
	(43,084)	(22,966)
Net decrease in cash	**(5,020)**	(15,908)
Cash less bank indebtedness, beginning of the period	**(23,288)**	(7,380)
Cash less bank indebtedness, end of the period	**$ (28,308)**	$ (23,288)

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

2. Basis of Preparation

(a) Statement of Compliance

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

The consolidated financial statements were authorized for issue by the Board of Trustees of the Trust on February 26, 2019.

(b) Basis of Measurement

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

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

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

(c) Use of Estimates and Judgments

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

(i) Investment property

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

3. Summary of Significant Accounting Policies

The Trust's accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except with respect to the adoption of IFRS 15, *Revenue from contracts with customers* and IFRS 9, *Financial instruments*, which were effective for year ends beginning January 1, 2018 and have been applied by the Trust retrospectively, without restatement of comparative information (described more fully in Note 3(m) below).

(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 or loss in the period in which they arise.

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

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

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

(c) Capitalization of Costs

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

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

(d) Revenue Recognition

(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)*(iii) below). Held-to-maturity financial assets are measured at amortized cost (see *(i)*(i) below).

(i) Financial Instruments

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

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 or loss are expensed as incurred in the consolidated statement of comprehensive income.

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

A financial asset is classified at fair value through profit or 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 or 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 or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Trust's held for trading assets consisted of cash.

(ii) Financial liabilities at fair value through profit or 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* ("IAS 32"), the convertible debentures are considered a liability containing liability-classified embedded derivatives.

The Trust 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 or 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, 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 have resulted in a reclassification of all held-to-maturity investments as available-for-sale, and prevented the Trust from classifying investment securities as held-to-maturity for the then current and following two financial years.

Held-to-maturity assets were 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 comprised receivables, notes and advances 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 did not have any financial assets 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 consisted of accounts payable and accrued liabilities, notes payable, mortgage bonds payable, bank indebtedness and mortgages payable.

(j) Trust Units

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

(k) Leasing Costs

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

(l) Finance Costs

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

(m) Accounting Standards Implemented in 2018

On January 1, 2018, the Trust implemented IFRS 15, *Revenue from contracts with customers* ("IFRS 15"), IFRS 9, *Financial instruments* ("IFRS 9"), and IFRS 2, *Share-based payments* ("IFRS 2") in accordance with IAS 8, *Accounting policies, changes in accounting estimates and errors*. The impacts on implementation of IFRS 15, IFRS 9 and IFRS 2 are described below.

(i) Revenue from contracts with customers

In 2014, the IASB issued IFRS 15, replacing all existing guidance in IFRS related to revenue, including but not limited to, IAS 18, *Revenue*, IAS 11, *Construction contracts*, IFRIC 15, *Agreements for the construction of real estate* and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 became effective for annual periods beginning on or after January 1, 2018.

IFRS 15 contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

The Trust adopted IFRS 15 beginning on January 1, 2018, using the cumulative effect method, which means that the Trust did not apply the requirements of IFRS 15 to the comparative period presented. The effect of initially applying this standard would have been recognized at January 1, 2018, however, the adoption of IFRS 15 did not have an impact on the timing of recognition or measurement of revenue.

(ii) Financial instruments

In 2014, the IASB issued IFRS 9, replacing IAS 39, *Financial instruments: recognition and measurement* ("IAS 39"), and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

The Trust adopted IFRS 9 beginning on January 1, 2018, the mandatory effective date. The adoption of IFRS 9 was generally applied retrospectively, without restatement of comparative information. There was no material impact from the adoption of IFRS 9.

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to both hold assets to collect contractual cash flows and to sell assets; and

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Financial liabilities are classified and measured on two categories: amortized cost or FVTPL. One distinction on financial liabilities is that under the previous IAS 39, all fair value changes of liabilities designated as FVTPL were recognized in profit or loss, whereas under IFRS 9, the amount of change in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and the remaining amount of change in fair value is presented in profit or loss. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

Asset / Liability	Classification under IAS 39	Classification under IFRS 9
Tenant loans	Loans and receivables at amortized cost	Amortized cost
Cash	Fair value through profit or loss	Amortized cost
Receivables	Loans and receivables at amortized cost	Amortized cost
Notes and advances receivable	Loans and receivables at amortized cost	Amortized cost
Debentures payable:		
- Convertible debentures	Fair value through profit or loss	Fair value through profit or loss
- Non-convertible debentures	Other liabilities at amortized cost	Amortized cost
Mortgage bonds payable	Other liabilities at amortized cost	Amortized cost
Mortgages payable	Other liabilities at amortized cost	Amortized cost
Class B exchangeable LP units	Fair value through profit or loss	Fair value through profit or loss
Bank indebtedness	Other liabilities at amortized cost	Amortized cost
Accounts payable, accrued liabilities, tenant payables and tenant deposits	Other liabilities at amortized cost	Amortized cost
Notes payable	Other liabilities at amortized cost	Amortized cost
Interest rate swaps	Fair value through profit or loss	Fair value through profit or loss

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

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

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

Impairment - IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

The Trust adopted the practical expedient to determine ECL on receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied did not have a material impact on receivables or other financial assets of the Trust.

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

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

(iii) Share-based payments

In 2016, the IASB issued three amendments to IFRS 2 to eliminate diversity in practice in the classification and measurement of particular share-based payment transactions. The amendments are narrow in scope and address specific areas of classification and measurement. IFRS 2 was effective January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Trust's accounting policy for cash-settled share-based payments is consistent with the amendments clarified and therefore do not have any impact on the Trust's consolidated financial statements.

(n) Future Changes in Accounting Policies

(i) Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). The new standard replaces existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. Lessor accounting remains similar to the current standard and the distinction between operating and finance leases is retained. The new standard is effective beginning January 1, 2019.

The Trust has investment properties located on land which is leased. Under current IFRS 17, Leases, these leases are accounted for as operating leases and the related lease payments are expensed. It is expected that under the new lease standard, a right-of-use ("ROU") asset and a lease obligation liability will be recorded along with the corresponding financing charges. The ROU asset will be accounted for as investment property, as these land leases meet the definition of investment property under IAS 40. Management has estimated the liability and corresponding ROU asset to be approximately $60 - $70 million.

The nature and timing of the related expenses will change as IFRS 16 replaces the straight-line operating lease expense with interest expense on lease liabilities. Changes in the fair value of the ROU asset will be recorded within change in fair value of investment properties.

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

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

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

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

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

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

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

Concurrent with this transaction, the Trust sold a 50% co-ownership interest in the two underlying properties, namely, Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, to a Canadian pension fund for gross proceeds of $20.5 million ($8.7 million after assumption of 50% of the existing mortgages by the purchaser).

5. Investment Properties

	December 31, 2018			December 31, 2017		
	Income producing properties	**Properties under development**	**Total**	Income producing properties	Properties under development	Total
Balance, beginning of the period:	**$ 905,964**	**$ 53,654**	**$ 959,618**	$ 912,462	$ 47,427	$ 959,889
Additions (deductions):						
Additions to investment properties	**2,169**	**24,035**	**26,204**	7,264	10,918	18,182
Acquisitions of investment properties and land	**54,678**	**24,328**	**79,006**	2,055	9,439	11,494
Disposals[1]	**(48,847)**	**(8,647)**	**(57,494)**	(16,884)	(2,433)	(19,317)
Transfers	**44,527**	**(44,527)**	**-**	8,431	(8,431)	-
Straight line rent receivable change	**(409)**	**120**	**(289)**	(337)	99	(238)
Change in fair value	**(22,303)**	**3,898**	**(18,405)**	(7,027)	(3,365)	(10,392)
Balance, end of the period:	**$ 935,779**	**$ 52,861**	**$ 988,640**	$ 905,964	$ 53,654	$ 959,618

[1] Cash received from disposals as per the statement of cash flows of $40.9 million is net of $16.5 million of mortgages assumed by purchasers.

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:

(i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties is based on these external appraisals. Of the total fair value in the chart above, $87 million of investment properties was based on such external appraisals (December 31, 2017 - $322 million).

(ii) Internal approach - direct capitalization income approach

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

As at December 31, 2018 the Trust has utilized the following range of capitalization rates:

	Number of Properties[(1)]	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	73	6.67%	5.50% - 9.00%	6.00% - 9.50%
Quick Service Restaurant	104	7.07%	5.50% - 9.50%	6.00% - 11.50%
Anchored Strip – Class A	14	7.06%	6.25% - 8.75%	6.25% - 9.50%
Anchored Strip – Class B	34	7.32%	6.00% - 9.00%	6.75% - 10.50%
Unanchored Strip	37	8.00%	5.75% - 9.50%	6.25% - 11.50%
Enclosed Malls – Community	4	8.31%	8.00% - 10.00%	7.75% - 11.50%
	266	7.25%		

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

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

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

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

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

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

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

At December 31, 2018 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately $35.2 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately $32.8 million.

As at December 31, 2017 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	72	6.44%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	117	7.26%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	13	7.07%	6.00% - 8.25%	6.25% - 9.00%
Anchored Strip – Class B	31	7.03%	6.00% - 8.50%	6.75% - 10.00%
Unanchored Strip	38	7.61%	5.75% - 9.00%	6.00% - 11.00%
Enclosed Malls – Community	4	7.80%	7.50% - 9.50%	7.50% - 11.00%
	275	7.02%		

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

(a) Straight-line Rent

Included in investment properties at December 31, 2018 is $11.9 million (December 31, 2017 - $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, 2018 is $1.2 million of surplus lands at fair value (December 31, 2017 - $1.4 million).

(c) Borrowing Costs

The total amount of borrowing costs capitalized for the year ended December 31, 2018 is $587 thousand (for the year ended December 31, 2017 - $348 thousand).

(d) Acquisitions

During the year ended December 31, 2018, the Trust purchased the following (all including closing costs): land in Oshawa, ON for $2.5 million; a 50% interest in land in Saguenay, QC for $380 thousand; land in Moncton, NB for $330 thousand; a 75% interest in a property in Smiths Falls, ON for redevelopment for $1.8 million; a property in Brockville, ON for redevelopment for $14.3 million; the remaining 50% interest in Northumberland Square in Miramichi, NB for $5.0 million; and a property in Quispamsis, NB for $12.6 million. As well, the Trust acquired a 100% interest in Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB for $42.1 million through the purchase of the remaining 90% of the issued and outstanding units of Plazacorp - Shediac Limited Partnership and Northwest Plaza Commercial Trust that it did not already own (the “Transaction”). Net of assumption of debt, working capital and the existing ownership interest, the remaining units were purchased for total cash consideration of $14.3 million. See Note 4 for further details.

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

(e) Disposals

During the year ended December 31, 2018, the Trust disposed of properties in Ottawa, ON and Perth, ON for net proceeds of $1.6 million, a property in Halifax, NS for net proceeds of $3.5 million, a property in Lachine, QC for net proceeds of $641 thousand, a property in Montreal, QC for net proceeds of $10.3 million, a property in Halifax, NS for $1.3 million, a property in Pointe aux Trembles, QC for net proceeds of $600 thousand and 8 properties in Alberta for $11.8 million. The Trust sold a 50% co-ownership interest in its redevelopment property in Brockville, ON for gross proceeds of $7.2 million ($2.5 million after assumption of 50% of the existing mortgage). Also, purchasers waived conditions to buy property from the Trust in Paris,

ON for $400 thousand and London, ON for $972 thousand. The Paris, ON transaction closed in January 2019 and the London, ON transaction is scheduled to close in April 2019. As well, concurrent with the Transaction (noted in (d) above), the Trust sold a 50% co-ownership interest in Shediac West Plaza, Shediac, NB and Northwest Centre, Moncton, NB, for gross proceeds of $20.5 million ($8.7 million after assumption of 50% of the existing mortgages). See Note 4 for further details.

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

6. Investments

Investments consist of the following:

	Ownership Position	Preferred Return	Residual Return	December 31, 2018	December 31, 2017
Equity Accounted Investments					
Centennial Plaza Limited Partnership	10%	10%	20%	**$ 10,948**	$ 10,949
Trois Rivières Limited Partnership	15%	10%	30%	**2,640**	2,851
Plazacorp-Shediac Limited Partnership	10%	8%	50%	**-**	2,005
VGH Limited Partnership	20%	8%	27%	**2,301**	2,430
Plazacorp Ontario1 Limited Partnership	25%	4%	25%	**2,281**	2,344
Plazacorp Ontario2 Limited Partnership	50%	-	-	**3,619**	3,728
Plazacorp Ontario3 Limited Partnership	50%	-	-	**2,032**	2,185
Plazacorp Ontario4 Limited Partnership	50%	-	-	**1,590**	1,826
RBEG Limited Partnership	50%	-	-	**2,710**	2,309
CPRDL Limited Partnership	50%	-	-	**2,091**	2,309
Fundy Retail Ltd.	50%	-	-	**1,701**	1,143
Ste. Hyacinthe Limited Partnership	25%	-	-	**185**	175
144 Denison East Limited Partnership	25%	-	-	**529**	17
The Shoppes at Galway Limited Partnership	50%	-	-	**11,987**	10,021
				44,614	44,292
Fair Value Accounted Investments					
Northwest Plaza Commercial Trust	10%	-	-	**-**	1,159
				44,614	45,451
Held-to-Maturity Investments	**Maturity Date**	**Weighted Average Rate**			
Bonds and cash – substituted for mortgage security	-	7.0%		**-**	99
Total investments				**$ 44,614**	$ 45,550

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.

There are no held-to-maturity investments at December 31, 2018. In the prior year the held-to-maturity investments included investments that were made up of mortgage bonds totaling $99 thousand with a yield of 7%.

For the year ended December 31, 2018 the Trust received $1.3 million of distributions (for the year ended December 31, 2017 - $1.4 million) from equity accounted investments. For the year ended December 31, 2018 the Trust made $5.2 million in contributions to its equity accounted investments (for the year ended December 31, 2017 - $1.0 million).

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

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

	December 31, 2018		December 31, 2017	
	Equity accounted investments	**Fair value accounted investments[1]**	Equity accounted investments	Fair value accounted investments
Cash	**$ 5,713**	**-**	$ 3,077	$ 500
Current assets	**$ 3,871**	**-**	$ 921	$ 63
Long term assets	**$ 283,241**	**-**	$ 292,284	$ 32,699
Current liabilities	**$ 7,736**	**-**	$ 2,348	$ 153
Long term liabilities	**$ 136,024**	**-**	$ 140,634	$ 19,689
Revenues	**$ 21,754**	**-**	$ 22,458	$ 3,254
Expenses	**$ (12,650)**	**-**	$ (13,353)	$ (3,031)
Fair value gain (loss)	**$ (5,924)**	**-**	$ 1,775	$ 441
Profit	**$ 3,180**	**-**	$ 10,880	$ 664

[1] On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own. Concurrent with this transaction, the Trust sold a 50% co-ownership interest in the Northwest Centre, Moncton, NB. For the year ended December 31, 2018 this investment is proportionately consolidated.

7. Receivables

Receivables consist of the following:

	December 31, 2018	December 31, 2017
Tenant accounts receivable, net of allowance	**$ 1,416**	$ 1,214
Excise tax	**421**	355
Holdback receivable	**500**	500
Other receivables	**1,061**	2,390
Income taxes receivable	**-**	21
Total receivables	**$ 3,398**	$ 4,480

The Trust determines its allowance for doubtful accounts on a tenant-by-tenant basis using an expected credit loss model taking into consideration lease terms, industry conditions and status of the tenants' accounts, among other factors. Accounts are written off only when all collection efforts have been exhausted. Allowance for doubtful accounts balance at December 31, 2018 is $46 thousand (December 31, 2017 - $77 thousand). This amount is deducted from tenant accounts receivable.

There were no impairment losses recognized during the year ended December 31, 2018 (for the year ended December 31, 2017 – nil).

8. Prepaid Expenses and Deposits

Prepaid expenses and deposits consist of the following:

	December 31, 2018	December 31, 2017
Prepaid expenses	**$ 2,138**	$ 2,277
Deposits for acquisitions and financings	**1,252**	1,790
Total prepaid expenses and deposits	**$ 3,390**	$ 4,067

9. Notes and Advances Receivable

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

10. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	**Interest Rate**	**December 31, 2018**	December 31, 2017
Convertible[1]				
Series D	December 31, 2018	5.75%	**$ -**	$ 34,336
Series E	March 31, 2023	5.10%	**44,892**	-
Series VII	June 30, 2021	5.50%	**5,226**	5,554
Total convertible debentures			**50,118**	39,890
Non-convertible[2] [3]	Various (see below)	5.00%	**9,717**	9,883
Total debentures payable			**59,835**	49,773
Less: current portion of debentures payable			**-**	(38,336)
Debentures payable – long-term portion			**$ 59,835**	$ 11,437

[1] Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2018 was a gain of $3.0 million (2017 – gain of $339 thousand)
[2] Recorded at amortized cost
[3] Net of unamortized finance charges of $143 thousand (December 31, 2017 - $117 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

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

Non-convertible debenture maturities are as follows:

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

On February 21, 2018, the Trust completed a public offering of $45 million aggregate principal amount of Series E 5.10% convertible unsecured subordinated debentures due March 31, 2023. The debentures are convertible at the option of the holder, into units of the Trust at $5.65 per unit. In addition, the underwriters were granted an over-allotment option, exercisable in whole or in part up to 30 days after closing, to purchase up to an additional $2.25 million debentures. The option was exercised on closing of the offering on February 21, 2018. Proceeds from the offering were used to redeem the $34 million 5.75% Series

D convertible unsecured subordinated debentures on March 27, 2018, with the remainder of the proceeds used to repay amounts outstanding on the Trust's operating line of credit.

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

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

11. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

				December 31, 2018	December 31, 2017
	Series X	**Series XI**	**Series XII**	**Total**	Total
Various properties, 1st mortgage	6,000	-	-	**$ 6,000**	$ 6,000
Various properties, 1st mortgage	-	6,000	-	**6,000**	6,000
Various properties, 1st mortgage	-	-	3,000	**3,000**	3,000
Gross mortgage bonds payable	6,000	6,000	3,000	**15,000**	15,000
Less: unamortized finance charges				**(137)**	(236)
Net mortgage bonds payable				**14,863**	14,764
Less: current portion of mortgage bonds payable				**(5,970)**	-
Net mortgage bonds payable – long-term portion				**$ 8,893**	$ 14,764

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

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

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

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

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

12. Mortgages Payable

		Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	December 31, 2018	December 31, 2017
Secured fixed rate loans:		2.47% - 7.00%	4.58%	Up to June 2034	**$ 438,669**	$ 433,995
Unsecured interest-only fixed rate loans:		5.00%	5.00%	Up to June 2023	**6,643**	-
Fair value of interest rate swap					**136**	175
Revaluation of loans upon acquisitions, net of amortization of $6,022 (December 31, 2017 - $5,770)					**751**	264
Less: unamortized finance charges					**(2,124)**	(2,472)
Total net fixed rate loans					**444,075**	431,962
Variable rate loans:						
-	$20 million development facility	Prime plus 0.75% or BA plus 2.25%		July 31, 2019	**11,579**	2,710
-	$15 million development facility	Prime plus 0.75% or BA plus 2.00%		July 31, 2020	**4,885**	4,592
-	$3.0 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		May 26, 2018	**-**	2,768
-	$907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		September 15, 2018	**-**	712
-	$6.6 million secured non-revolving construction credit facility	Prime plus 2.25% or BA plus 3.75% [(1)]		November 30, 2019	**1,950**	1,950
-	$7.45 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		January 10, 2020	**5,988**	-
Less: unamortized finance charges					**(139)**	(115)
Total net variable rate loans					**24,263**	12,617
Net mortgages payable					**468,338**	444,579
Less: mortgages payable – current portion					**(68,471)**	(33,700)
Total mortgages payable – long-term portion					**$ 399,867**	$ 410,879

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

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

To fund development activities the Trust has two revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a $20.0 million one-year revolving facility that bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.25%, and the other is a $15.0 million two-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.00%. At December 31, 2018 there is $18.5 million available on these development facilities (December 31, 2017 - $27.7 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, 2018 the Trust is in compliance with all financial covenants.

In January 2018 the Trust obtained a $14.9 million secured non-revolving construction credit facility relating to the acquisition of a development property in Brockville, ON. Upon the sale of a 50% co-ownership interest in the property in the second quarter of 2018, 50% of this facility was assumed by the partner.

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

13. Bank Indebtedness

The Trust has a $44.0 million (December 31, 2017 - $44.0 million) revolving 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, 2020. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at December 31, 2018, the available limit was $44.0 million of which $35.6 million (December 31, 2017 – $29.5 million) was drawn and therefore the maximum amount available to be drawn on the facility was $7.5 million (December 31, 2017 – $11.0 million), net of letters of credit outstanding of $869 thousand (December 31, 2017 - $750 thousand). As security, at December 31, 2018, the Trust has provided a $50.0 million demand debenture secured by a first mortgage over forty properties.

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

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

	December 31, 2018	December 31, 2017
Accounts payable and accrued liabilities	**$ 8,183**	$ 7,395
Distributions payable	**2,427**	2,315
Excise tax payable	**1,050**	1,055
Accrued interest payable	**2,328**	1,735
Deferred tenant revenue and deposits	**3,216**	2,195
Other	**479**	527
Total accounts payable, accrued liabilities, tenant payables and tenant deposits	**$ 17,683**	$ 15,222

15. Notes Payable

Notes payable consist of the following:

	Interest Rate	**December 31, 2018**	December 31, 2017
Non-interest bearing notes:			
Entities owned (directly and indirectly), controlled or significantly influenced by Michael Zakuta, President, CEO and Trustee of the Trust [1]	n/a	**$ 261**	$ 261
Unrelated parties and non-controlling interests	n/a	**1,080**	1,163
Total notes payable		**$ 1,341**	$ 1,424

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

16. Income Taxes

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

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

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

	December 31, 2018	December 31, 2017
Deferred income tax assets		
Tax loss carry-forwards of subsidiaries	**$ 461**	$ 520
Deferred income tax liabilities		
Income producing properties	**7,078**	7,547
Net deferred income tax liability	**$ 6,617**	$ 7,027

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)*.

	2018	2017
Cash distributions declared	**$ 28,646**	$ 27,320
Required cash distributions to ensure no Part I tax	**15,453**	12,747
Total discretionary cash distributions	**$ 13,193**	$ 14,573

17. Revenues

	2018	2017[1]
Contractual revenue	**$ 73,336**	$ 73,734
Straight-line rent	**(228)**	(239)
Property tax and insurance recovery	**19,502**	17,127
Recovery revenue	**11,013**	10,363
Lease buyout revenue	**-**	1,676
Other revenue	**394**	226
Total property revenues	**$ 104,017**	$ 102,887

[1] 2017 is not restated for IFRS 15 changes in presentation

18. Operating Expenses

	2018	2017
Property taxes and insurance	**$ 21,595**	$ 19,947
Recoverable expenses	**14,089**	13,848
Non-recoverable expenses	**4,409**	4,734
Total operating expenses	**$ 40,093**	$ 38,529

19. Administrative Expenses

	2018	2017
Salaries and benefits	**$ 6,435**	$ 6,270
Professional services	**1,112**	1,010
Office expenses	**1,840**	1,859
Total administrative expenses	**$ 9,387**	$ 9,139

Total employee salaries and benefits paid by the Trust during the year were $12.5 million, of which $4.6 million is included in operating expenses, $6.4 million is included in administrative expenses and $1.5 million has been capitalized to income producing properties (for the year ended December 31, 2017 - $12.1 million, of which $4.6 million is in operating expenses, $6.2 million is in administrative expenses and $1.3 million is in income producing properties).

20. Finance Costs

	2018	2017
Mortgage interest	**$ 20,280**	$ 19,801
Debenture interest	**3,325**	2,713
Mortgage bond interest	**765**	765
Distributions paid to Class B exchangeable LP unitholders	**351**	354
Operating line of credit interest	**1,196**	1,008
Interest and bank charges	**424**	341
Amortization of finance charges	**1,010**	1,107
Loan defeasance and early mortgage discharge fees	**240**	56
Mark to market amortization	**(252)**	(151)
Capitalization of interest	**(587)**	(348)
Total finance costs	**$ 26,752**	$ 25,646

21. Unitholders' Equity

(a) Authorized

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

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

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

(b) Issued and Outstanding

(i) Class B Exchangeable LP Units

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

	December 31, 2018		December 31, 2017	
	Units (000s)	**Amount**	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the period	**1,266**	**$ 5,393**	1,319	$ 6,595
Exchanges	**(75)**	**(314)**	(53)	(232)
Fair value adjustment for the period	**-**	**(457)**	-	(970)
Exchangeable LP units outstanding, end of the period	**1,191**	**$ 4,622**	1,266	$ 5,393

(ii) Special Voting Units

At December 31, 2018, there were 1,191,000 (December 31, 2017 1,266,000) special voting units outstanding, issued in connection with 1,191,000 (December 31, 2017 - 1,266,000) Class B exchangeable LP units of a subsidiary of the Trust (see above).

(iii) Units

	December 31, 2018		December 31, 2017	
	Trust Units (000s)	**Amount**	Trust Units (000s)	Amount
Units outstanding, beginning of the period	**101,610**	**$ 273,158**	98,488	$ 258,011
Issuance of units:				
Exchange of Class B exchangeable LP units	**75**	**314**	53	232
Distribution reinvestment plan	**1,101**	**4,433**	597	2,607
RSU plan	**38**	**153**	22	95
Convertible debenture conversions				
- face value of convertible debentures	**-**	**-**	2,450	11,439
- impact of fair value of convertible debentures	**-**	**-**	-	774
Units outstanding, end of the period	**102,824**	**$ 278,058**	101,610	$ 273,158

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, 2018 no unitholder had redeemed units.

The Trust instituted 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 were issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also received "bonus units" in an amount equal to 3% of the distribution amount reinvested. Commencing with the October 2018 distribution, payable November 15, 2018, the Trust suspended its DRIP until further notice and unitholders enrolled in the DRIP began receiving distribution payments in cash. If the Trust elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at the time of its suspension and remain enrolled at the time of reinstatement, will automatically resume participation in the DRIP.

Effective September 28, 2018, the Trust instituted a normal course issuer bid ("NCIB"). Pursuant to the NCIB, the Trust can purchase through the facilities of the TSX and any alternative trading system in Canada, from time to time over the next twelve months, if considered advisable, up to an aggregate of 8,025,793 of the Trust's issued and outstanding units. All units that are purchased under the NCIB will be cancelled. The NCIB will conclude on the earlier of the date on which purchases under the bid have been completed and September 27, 2019. Daily purchases made by the Trust may not exceed 14,623 units, being 25% of the average daily trading volume of the units on the TSX for the six month period ended August 31, 2018, subject to certain prescribed exemptions and any block purchase made in accordance with the rules of the TSX. No purchases under the NCIB have been made to date.

22. 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. At December 31, 2018, the maximum number of units that may be issued under the RSU Plan upon the redemption of RSUs and Distribution RSUs is 5,729,499. A total of 488,813 RSUs have been granted under the RSU Plan since inception. For the year ended December 31, 2018, compensation expense of $436 thousand (for the year ended December 31, 2017 - $295 thousand) has been recognized in respect of the RSUs.

	December 31, 2018	December 31, 2017
Restricted share units outstanding, beginning of the period	**169,769**	98,600
Granted	**100,035**	107,378
Vested	**(72,518)**	(33,609)
Forfeited	**(2,166)**	(2,600)
Restricted share units outstanding, end of the period	**195,120**	169,769

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. At December 31, 2018, a total of 100,427 DUs have been granted or issued under the DU Plan since inception and for the year ended December 31, 2018, compensation expense of $100 thousand was recorded (for the year ended December 31, 2017 - $88 thousand).

	December 31, 2018	December 31, 2017
Deferred units outstanding, beginning of the period	**67,947**	40,265
Granted	**9,926**	10,549
Trustee fees taken as deferred units	**17,150**	13,989
Distributions paid on deferred units taken as additional deferred units	**5,404**	3,144
Deferred units outstanding, end of the period	**100,427**	67,947

23. Distributions

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

	2018	2017
Distributions paid to unitholders	**$ 28,646**	$ 27,320
Distribution reinvestment proceeds	**(4,586)**	(2,607)
Cash distributions paid to unitholders	**$ 24,060**	$ 24,713

24. Additional Cash Flow Information

(a) Changes in Non-Cash Working Capital

	2018	2017
Receivables	**$ 1,186**	$ (973)
Prepaid expenses and deposits	**150**	136
Change in construction accruals removed from investing activities	**(737)**	2,567
Accounts payable, accrued liabilities, tenant payables and tenant deposits	**1,602**	(601)
Total cash from change in non-cash working capital	**$ 2,201**	$ 1,129

(b) Changes in Liabilities Arising from Financing Activities

	December 31, 2018	December 31, 2017
Current and long-term debt[(1)] – beginning of the period	**$ 515,933**	$ 542,549
Gross proceeds from mortgage bonds and debentures	**48,655**	9,000
Redemption/repayment of mortgage bonds and debentures	**(35,545)**	(5,276)
Periodic mortgage principal repayments	**(10,730)**	(10,416)
Mortgages repaid	**(38,783)**	(31,975)
Gross mortgage proceeds	**65,373**	36,933
Fees incurred for placement of debt	**(533)**	(647)
Increases in notes payable	**(83)**	234
Non-cash changes in current and long-term debt:		
Convertible debenture conversions	**-**	(13,667)
Mortgages assumed on acquisition	**23,646**	-
Mortgages assumed by purchasers on sale of investment properties	**(16,519)**	(10,035)
Deferred finance charges assumed on acquisition	**(162)**	-
Deferred finance charges written off on sale of investment properties	**82**	-
Net change in fair value of Class B exchangeable LP units	**(457)**	(970)
Net change in fair value of interest rate swaps and bond forwards	**(39)**	(182)
Net change in fair value of convertible debentures	**(3,022)**	(339)
Exchanges of Class B exchangeable LP units	**(314)**	(232)
Amortization of finance charges	**1,010**	1,107
Mark to market on assumption of debt	**739**	-
Mark to market amortization	**(252)**	(151)
Current and long-term debt[(1)] – end of the period	**$ 548,999**	$ 515,933

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

25. Related Party Transactions

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

(a) Bonds and Debentures

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

	December 31, 2018	December 31, 2017
Edouard Babineau	**$ 150**	$ 150
Earl Brewer	**450**	425
Stephen Johnson	**300**	300
Michael Zakuta	**100**	100
Total	**$ 1,000**	$ 975

Other key management personnel own $20 thousand in mortgage bonds of the Trust at December 31, 2018 (December 31, 2017 - $20 thousand).

(b) Notes Payable to Related Parties

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

	December 31, 2018	December 31, 2017
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 Related Parties

(i) TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to the Trust at a total annual rent of $1.2 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value.

(ii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. There is a $60 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2017 - $7 thousand). For the twelve months ended December 31, 2018, property management, development and leasing fees of $212 thousand were earned by a subsidiary of the Trust from this property (for the twelve months ended December 31, 2017 - $96 thousand). There is a $405 thousand note receivable owing to the Trust relating to short-term funding requirements for the construction of a retail pad on the property (December 31, 2017 – nil).

(iii) Until January 31, 2018, Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, held interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. On January 31, 2018, the Trust completed the acquisition of the remaining 90% of the issued and outstanding units of Northwest Plaza Commercial Trust that it did not already own (see Note 4). A special committee of independent trustees of the Trust was formed to review and approve the related party transaction. For the one month ended January 31, 2018, property management, development and leasing fees of $18 thousand were earned by a subsidiary of the Trust from this property (for the twelve months ended December 31, 2017 - $126 thousand).

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

(v) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 20% interest in Mountainview Plaza, Midland, ON and Park Street Plaza, Kenora, ON. A subsidiary of the Trust manages the malls. At December 31, 2018 there is $5.6 million owed by the properties to the Trust which is recorded in notes and advances receivable (December 31, 2017 - $6.5 million). As well, there is a $5 thousand accounts receivable balance owing to the Trust for property management, leasing and development fees (December 31, 2017 - $64 thousand). For the twelve months ended December 31, 2018, property management, leasing, development and financing fees of $453 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2017 - $393 thousand).

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

one month ended January 31, 2018, property management, leasing and development fees of $2 thousand were earned by a subsidiary of the Trust from this property (for the twelve months ended December 31, 2017 - $34 thousand).

(vii) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in two single-use properties located in Amherstview and Port Perry, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2018, property management fees of $5 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2017 - $5 thousand).

(viii) Edouard Babineau, Earl Brewer, James Petrie, Barbara Trenholm and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in KGH Plaza, Miramichi, NB, a single-use property located at 681 Mountain Road, Moncton, NB, a single-use property located at 201 Main Street, Sussex, NB and Robie Street Truro Plaza, Truro, NS. A subsidiary of the Trust manages the properties. At December 31, 2018 there is a $5 thousand accounts receivable balance owing to the Trust for property management, development and leasing fees (December 31, 2017 - $5 thousand). For the twelve months ended December 31, 2018, property management, leasing and development fees of $168 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2017 - $65 thousand).

(ix) Edouard Babineau, Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in Scott Street Plaza, St. Catharines, ON, and five single-use properties located at St. Joseph's Boulevard, Orleans, ON, Dufferin and Wilson, Perth, ON, Ontario Street Port Hope, Port Hope, ON, Civic Centre Road, Petawawa, ON and 615 King Street, Gananoque, ON. A subsidiary of the Trust manages the properties. For the twelve months ended December 31, 2018, property management fees of $32 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2017 - $29 thousand).

(x) Effective December 1, 2017, Edouard Babineau, Earl Brewer, Denis Losier and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 50% interest in the following eight properties: Boulevard Hebert Plaza and Victoria Street Plaza in Edmundston, NB; Grand Falls Shopping Center and Madawaska Road Plaza in Grand Falls, NB; Connell Road Plaza, Woodstock, NB; Welton Street Plaza, Sydney, NS; and Pleasant Street Plaza and Starrs Road Plaza in Yarmouth, NS. A subsidiary of the Trust manages the properties. At December 31, 2018 there is a $9 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2017 - $13 thousand). For the twelve months ended December 31, 2018, property management, leasing and development fees of $125 thousand were earned by a subsidiary of the Trust from these properties (for the twelve months ended December 31, 2017 – $13 thousand).

(d) Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any trustee of the entity. The remuneration of trustees and other key management personnel of the Trust during the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Salaries and benefits	**$ 1,906**	$ 1,797
Share-based payments – including DUs and RSUs	**170**	133
Total key management personnel compensation	**$ 2,076**	$ 1,930

During the years ended December 31, 2018 and 2017 there were no amounts paid in post-employment benefits, long-term benefits or termination benefits.

(e) Significant Subsidiaries

	Ownership Interest	
	December 31, 2018	December 31, 2017
Plaza Master Limited Partnership	**100%**	100%
Lemarchant Property Holdings Inc.	**100%**	100%
Plaza Retail Limited Partnership #1	**100%**	100%
Bedford Commons 2 Property Holdings Inc.	**100%**	100%
Plaza Group Management Limited	**100%**	100%
Stavanger Torbay Limited Partnership	**90%**	90%
Spring Park Plaza Inc.	**100%**	100%
Granville Street Properties Limited Partnership	**90%**	90%
Wildan Properties Limited Partnership	**90%**	90%
Exhibition Plaza Inc.	**90%**	90%
Scott's Real Estate Limited Partnership	**100%**	100%
Scott's Acquisition Inc.	**100%**	100%
Riverside Emerald (Timmins) Limited Partnership	**80%**	80%

26. Interests in Joint Operations

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

	December 31, 2018	December 31, 2017
Cash	**$ 4,492**	$ 6,065
Current assets	**$ 1,519**	$ 1,478
Long term assets	**$ 214,546**	$ 209,574
Current liabilities	**$ 8,726**	$ 9,032
Long term liabilities	**$ 124,235**	$ 107,223
Revenues	**$ 24,811**	$ 20,193
Expenses	**$ (16,541)**	$ (12,549)
Fair value gain (loss)	**$ 3,131**	$ 124

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, 2018	December 31, 2017
Accounting Method – Proportionate Consolidation		
Les Galeries Montmagny and Plaza Tache, QC	**50%**	50%
Bureau en Gross, QC	**50%**	50%
Plaza SP Magog, QC	**50%**	50%
Carrefour des Seigneurs, QC	**25%**	25%
Galeries des Cantons, QC	**50%**	50%
Plaza BDP Deux Montagnes, QC	**37.5%**	37.5%
Plaza Jean XXIII, QC	**50%**	50%
Plaza BBRF, QC	**50%**	50%
Plaza TS Magog, QC	**50%**	50%
Plaza De L'Ouest, QC	**50%**	50%
Plaza HDB, QC	**33%**	33%
SBT Chicoutimi, QC	**50%**	-
4999 Queen Mary Road, QC	**25%**	25%
600 JP Perrault, QC	**50%**	50%
201 Chain Lake Drive Plaza, NS	**50%**	50%
209 Chain Lake Drive Plaza, NS	**50%**	50%
Tacoma Centre, NS	**50%**	50%
Tacoma Shoppers, NS	**50%**	50%
Robie Street Truro Plaza, NS	**25%**	25%
210 Wyse Road, NS	**50%**	50%
Pleasant Street Plaza, NS	**50%**	50%
Starrs Road Plaza, NS	**50%**	50%
Welton Street Plaza, NS	**50%**	50%
Scott Street Plaza, ON	**50%**	50%
St. Josephs Boulevard, ON	**50%**	50%
Civic Centre Road, ON	**50%**	50%
Ontario Street Port Hope, ON	**50%**	50%
Dufferin and Wilson, ON	**50%**	50%
615 King Street, ON	**50%**	50%
Park Street Plaza, ON	**20%**	20%
Mountainview Plaza, ON	**20%**	20%
Eastcourt, ON	**50%**	50%
Timiskaming, ON	**50%**	50%
6685 Century Ave, ON	**50%**	-
1000 Islands Plaza (Brockville), ON	**50%**	-
KGH Plaza, NB	**25%**	25%
681 Mountain Road, NB	**25%**	25%
201 Main Street - Sussex, NB	**25%**	25%
Northumberland Plaza, NB(1)	**100%**	50%
Boulevard Hebert Plaza, NB	**50%**	50%
Victoria Street Plaza, NB	**50%**	50%
Connell Road Plaza, NB	**50%**	50%
Madawaska Road Plaza, NB	**50%**	50%
Grand Falls Shopping Center, NB	**50%**	50%
Northwest Centre, NB	**50%**	-
Shediac West Plaza, NB	**50%**	-
The Village Shopping Centre, NL	**50%**	50%

(1) The remaining 50% in Northumberland Plaza was purchased during 2018 and is no longer proportionately consolidated.

27. Contingencies, Commitments, Guarantees and Indemnities, Litigation and Provisions

(a) Contingencies

The $20.0 million development line of credit has $1.5 million available for use in the form of letters-of-credit. At December 31, 2018, there were no letters-of-credit issued and outstanding (December 31, 2017 – 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, 2018, there were no letters-of-credit issued and outstanding (December 31, 2017 – nil).

The $44.0 million operating line of credit has $2.0 million available for use in the form of letters-of-credit. At December 31, 2018, letters-of-credit in the amount of $869 thousand were issued and outstanding (December 31, 2017 - $750 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, 2018, there were no letters-of-credit issued and outstanding (December 31, 2017 – nil).

(b) Commitments

The Trust's estimated commitments at December 31, 2018 in respect of certain projects under development and other long-term obligations are as follows:

	Year 1 2019	Year 2 2020	Year 3 2021	Year 4 2022	Year 5 2023	After 5 Years	Face Value Total
Mortgages – periodic payments	$ 10,371	$ 9,753	$ 8,192	$ 7,928	$ 6,376	$ 24,945	$ 67,565
Mortgages – due at maturity	46,523	66,532	30,905	26,844	33,924	173,019	377,747
Development lines of credit	11,579	4,885	-	-	-	-	16,464
Construction loans	1,950	5,988	-	-	-	-	7,938
Bank indebtedness	-	35,604	-	-	-	-	35,604
Mortgage bonds payable	6,000	6,000	-	3,000	-	-	15,000
Debentures [1]	-	-	9,360	6,000	47,250	-	62,610
Operating land leases [2]	3,272	3,316	3,337	3,327	3,293	124,636	141,181
Development activities	20,791	-	-	-	-	-	20,791
Total contractual obligations	**$ 100,486**	**$ 132,078**	**$ 51,794**	**$ 47,099**	**$ 90,843**	**$ 322,600**	**$ 744,900**

[1] Stated at face value.
[2] Operating land leases expire on dates ranging from 2022 to 2084 (including automatic renewal periods) with non-automatic renewal options ranging from 5 to 66 years.

(c) Guarantees and Indemnities

The Trust continues to guarantee certain debt assumed by purchasers in connection with past dispositions of properties. These guarantees will remain until the debt is modified, refinanced or extinguished. These commitments are subject to indemnity agreements. At December 31, 2018 a $5.1 million commitment (December 31, 2017 - $5.3 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 4.1 years (December 31, 2017 - 5.1 years). As well, at December 31, 2018 a $9.8 million commitment (December 31, 2017 – $10.0 million) relating to the mortgages on eight assets in which the Trust sold a 50% interest in November 2017 is subject to such guarantees by the Trust. These mortgages have a weighted average remaining term of 5.0 years (December 31, 2017 – 6.0 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, 2018 the Trust's total exposure on the cross-guarantee is $523 thousand (December 31, 2017 - $540 thousand). As well, the Trust has guarantees in excess of its ownership percentages for five strip plazas and two free-standing properties. The excess guarantees amount to $14.2 million (December 31, 2017 - $18.7 million on nine properties).

(d) Litigation

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

(e) Provisions

A provision is recognized if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The Trust has no provisions recorded at December 31, 2018 (December 31, 2017 – nil).

28. Financial Instruments and Risk Management

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

(a) Interest Rate Risk

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

A change in interest rates on Plaza's fixed rate instruments at the reporting date would not affect profit or loss. The Trust minimizes its exposure to fixed rate interest risk on its debt by staggering the maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. The Trust minimizes its exposure to short term interest rate risk by obtaining longer term financing as much as possible (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 $70 thousand at December 31, 2018 (December 31, 2017 – $118 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 of this contract results in a liability, for the Trust's share, of $136 thousand at December 31, 2018 (December 31, 2017 – $175 thousand). There is a risk that interest rates will fluctuate during the term of the mortgage. The Trust intends to hold the mortgage 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.

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, 2018 if applied to all outstanding floating rate instruments would increase interest expense and decrease pre-tax profit by $600 thousand (for the year ended December 31, 2017 – $423 thousand).

(b) Lease Rollover and Occupancy Risk

The Trust is exposed to the risk of not being able to replace tenants as leases expire or in re-leasing space vacated by tenants. The hypothetical impact to net property operating income of a change in occupancy of 1% would be approximately $600

thousand to $1.0 million per annum. The Trust's principal management of occupancy risk involves the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space. As well, the Trust attempts to stagger the lease expiry profile so that the Trust is not faced with a disproportionate amount of square footage of leases expiring in any one year. The Trust further mitigates this risk by maintaining a diversified portfolio mix by geographic location and maintaining a well-staffed and highly skilled leasing department to deal with all leasing issues.

(c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and will be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and heavily weighted to national tenants. National and regional tenants comprise 94.5% of the in-place tenant base (December 31, 2017 – 94.9%). As well, the Trust maintains a portfolio that is diversified geographically so that exposure to local business is lessened and the Trust limits loans granted under lease arrangements to credit-worthy mainly national tenants.

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

The Trust generally provides financial guarantees and advances only to wholly-owned subsidiaries, non-consolidated investments and joint arrangement partners during the development periods, subject to reciprocal indemnities, by utilizing established development lines of credit. Repayment of the advances occurs upon placing permanent financing on the related property or through cash flows generated by the related property upon completion of the development. Where lenders of first mortgages on joint arrangement properties require financial guarantees from the Trust, reciprocal indemnities are generally obtained from the Trust's joint arrangement partners. Guarantees are generally limited to the lower of 75% of the asset cost or 65% of the fair market value. See Note 27(c) for details of guarantees.

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

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

Carrying Amount	**December 31, 2018**	December 31, 2017
Held-to-maturity investments	**$ -**	$ 99
Tenant loans, receivables, and notes and advances receivable	**16,665**	15,330
Cash	**7,296**	6,250
Total	**$ 23,961**	$ 21,679

The Trust's most significant customer, a national retailer, accounts for $156 thousand of tenant loans at December 31, 2018 (December 31, 2017- $183 thousand).

Shoppers Drug Mart represents 24.9% of monthly base rents in place at December 31, 2018, while franchisees of KFC represent 6.7% of monthly base rents in place. The top 10 tenants collectively represent approximately 55.4% 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.

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

	Carrying amount	**Contractual cash flows**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**More than 5 years**
Current liabilities [(1)]	$ 17,683	$ 17,683	$ 17,683	$ -	$ -	$ -	$ -	$ -
Debentures payable	$ 59,835	$ 75,008	$ 3,205	$ 3,205	$12,285	$ 8,460	$47,853	$ -
Notes payable	$ 1,341	$ 1,341	$ 1,341	$ -	$ -	$ -	$ -	$ -
Bank indebtedness	$ 35,604	$ 38,253	$ 1,673	$ 36,580	$ -	$ -	$ -	$ -
Mortgage bonds payable	$ 14,863	$ 16,203	$ 6,615	$ 6,334	$ 165	$ 3,089	$ -	$ -
Mortgages payable	$468,338	$572,889	$ 87,246	$105,661	$52,156	$46,619	$50,659	$230,548

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

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

(e) Fair Value

Generally, trading values for the Trust's financial instruments are not available. In determining estimates of the fair values of the financial instruments, the Trust must make assumptions regarding current market rates, considering the term of the instrument and its risk. Current market rates are generally selected from a range of potentially acceptable rates and accordingly, other effective rates and fair values are possible. The rates used in determining the fair value of fixed rate mortgages are corresponding term Government of Canada bonds plus credit spreads of 1.60% to 2.50% (December 31, 2017 – 1.60% to 2.30%). The rate used to determine the fair value of mortgage bonds was 5.0% (December 31, 2017 – 5.50%). The rate used to determine the fair value of non-convertible debentures was 5.50% (December 31, 2017 – 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, 2018	**Fair Value December 31, 2018**	Book Value December 31, 2017	Fair Value December 31, 2017
Cash	**$ 7,296**	**$ 7,296**	$ 6,250	$ 6,250
Receivables	**3,398**	**3,398**	4,480	4,480
Notes and advances receivable	**12,549**	**12,549**	9,999	9,999
Held-to-maturity investments	**-**	**-**	99	99
Tenant loans	**718**	**718**	851	851
Total Financial Assets	**$ 23,961**	**$ 23,961**	$ 21,679	$ 21,679
Bank indebtedness	**$ 35,604**	**$ 35,604**	$ 29,538	$ 29,538
Accounts payable, accrued liabilities, tenant payables and tenant deposits	**17,683**	**17,683**	15,222	15,222
Total net fixed rate mortgage loans	**444,075**	**452,450**	431,962	448,785
Total net variable rate mortgage loans or credit facilities	**24,263**	**24,263**	12,617	12,617
Convertible debentures	**50,118**	**50,118**	39,890	39,890
Non-convertible debentures	**9,717**	**9,578**	9,883	9,883
Mortgage bonds payable	**14,863**	**14,917**	14,764	14,645
Class B exchangeable LP units	**4,622**	**4,622**	5,393	5,393
Notes payable	**1,341**	**1,341**	1,424	1,424
Total Financial Liabilities	**$ 602,286**	**$ 610,576**	$ 560,693	$ 577,397

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

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

	December 31, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Investment properties	**$ -**	**$ -**	**$ 988,640**	$ -	$ -	$ 959,618
	$ -	**$ -**	**$ 988,640**	$ -	$ -	$ 959,618
Class B exchangeable LP units	**$ 4,622**	**$ -**	**$ -**	$ 5,393	$ -	$ -
Series C, D and E convertible debentures	**44,892**	**-**	**-**	34,336	-	-
Series VII convertible debentures	**-**	**5,226**	**-**	-	5,554	-
	$ 49,514	**$ 5,226**	**$ -**	$ 39,729	$ 5,554	$ -

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.

29. Capital Management

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

Bank operating and development lines require maintenance of at least $150 million of unitholders' equity; maximum leverage of 70% including convertible debentures and 65% excluding convertible debentures; maintenance of debt coverage ratios in excess of 1.5 times with the debt coverage ratios calculated exclusive of interest charged on subordinate debt and convertible debentures. The bank operating line also requires on pledged assets: 90% occupancy; 65% loan to value; and interest coverage constraints of 1.60. In addition, under a development line, the Trust must maintain a ratio of mortgages plus bank indebtedness to the book value of its gross assets less fair value adjustments of not more than 70%. The Trust has a $7.45 million construction credit facility which requires maintenance of at least $200 million of unitholders' equity, maximum leverage of 65% and debt coverage ratios in excess of 1.3 times. The Trust is in compliance with all financial debt covenants at December 31, 2018.

There were no changes to the Trust's approach to capital management for the year ended December 31, 2018.

The calculation of the total capital is summarized as follows:

	December 31, 2018	December 31, 2017
Total net fixed rate mortgage loans	**$ 444,075**	$ 431,962
Total net variable rate mortgage loans or credit facilities	**24,263**	12,617
Mortgage bonds payable	**14,863**	14,764
Debentures payable	**59,835**	49,773
Bank indebtedness	**35,604**	29,538
Notes payable	**1,341**	1,424
	579,981	540,078
Unitholders' equity	**451,702**	463,095
Total	**$ 1,031,683**	$ 1,003,173

30. Subsequent Events

Financings

In January 2019, long-term financing was obtained on a property located in Sussex, NB in the amount of $11.0 million with a 10 year term and an interest rate of 3.67%. This property is held in a non-consolidated investment of which the Trust owns 25%.

Investment Properties

During 2018, purchasers waived conditions to buy property from the Trust in Paris, ON for $400 thousand and London, ON for $972 thousand. The Paris, ON transaction closed in January 2019 and the London, ON transaction is scheduled to close in April 2019.

On January 15, 2019, the Trust sold a 50% co-ownership interest in a property located in Quispamsis, NB to a syndicated limited partnership. As part of the transaction, $1.2 million in debt was issued by the Trust at a rate of prime + 1.05%, on an interest-only basis for a 5 year term.

On January 31, 2019, the Trust disposed of land and building located in Montreal, QC for gross proceeds of $1.0 million.

Distributions and Distribution Reinvestment Plan

The Trust paid a cash distribution of $0.02333 per unit for a total of $2.4 million on January 15, 2019.

The Trust paid a cash distribution of $0.02333 per unit for a total of $2.4 million on February 15, 2019.

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