

**CT REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

Forward-looking Disclaimer

This Management's Discussion and Analysis ("MD&A") contains statements that are forward-looking. Actual results or events may differ materially from those forecasted in this disclosure because of the risks and uncertainties associated with the business of CT Real Estate Investment Trust and its subsidiaries, (unless the context requires otherwise referred to herein as "CT REIT", the "Trust" or the "REIT") and the general economic environment. CT REIT cannot provide any assurance that any forecasted financial or operational performance will actually be achieved or, if achieved, that it will result in an increase in the price of CT REIT's units. See section 12.0 in this MD&A for a more detailed discussion of the REIT's use of forward-looking statements.

1.0 Preface

1.1 Basis of Presentation

The following MD&A is intended to provide readers with an assessment of the performance of CT REIT for the year ended December 31, 2015 (also referred to as "2015") and should be read in conjunction with the REIT's audited consolidated financial statements ("consolidated financial statements") and accompanying notes for 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, the following MD&A should be read in conjunction with CT REIT's forward-looking information found in section 12.0 of this MD&A. Information about CT REIT, including the Annual Information Form ("AIF"), Annual Report and all other continuous disclosure documents required by the Canadian securities regulators, can be found on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on CT REIT's website in the Investors section by a link at ctreit.com.

1.2 Definitions

In this document, the terms "CT REIT", "the REIT", and "the Trust", refer to CT Real Estate Investment Trust and its subsidiaries unless the context requires otherwise. In addition, "the Company", "CTC" and the "Corporation" refer to Canadian Tire Corporation, Limited, entities that it controls and their collective businesses unless the context requires otherwise. For commonly used defined terms refer to the glossary of terms in CT REIT's Annual Report.

1.3 Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Refer to section 8.0 in this MD&A for further information.

Financial data included in this MD&A includes material information as of February 16, 2016. Disclosure contained in this document is current to that date, unless otherwise noted.

1.4 Quarterly and Annual Comparisons in this MD&A

Unless otherwise indicated, all comparisons of results for Q4 2015 (three months ended December 31, 2015) are against results for Q4 2014 (three months ended December 31, 2014) and comparisons of results for the year ended 2015 are against results for the year ended 2014.

1.5 Non-GAAP and Operational Key Performance Indicators

Net operating income ("NOI"), same store NOI, same property NOI, funds from operations ("FFO"), FFO per Unit, adjusted funds from operations ("AFFO"), AFFO per Unit, earnings before interest and other financing costs, taxes and fair value adjustments ("EBITFV"), interest coverage ratio, indebtedness ratio, debt to enterprise value ratio, and book value per Unit are key performance indicators used by management to track and assess CT REIT's performance in meeting its principle objective of creating Unitholder value. These measures are not defined by IFRS, also referred to as GAAP, and therefore should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS.

Further, the key performance indicators used by management may not be comparable to similar measures presented by other real estate investment trusts or enterprises. Net income prepared in accordance with IFRS is also subject to varying degrees of judgment, and some meaningful differences in accounting policies exist between publicly traded entities in Canada. Accordingly, net income as presented by CT REIT may not be comparable to net income presented by other real estate investment trusts or enterprises.

For further information on the non-GAAP and operational key performance indicators used by management and for reconciliations to the nearest GAAP measures, refer to section 9.0.

1.6 Review and Approval by the Board of Trustees

The Board of Trustees (“the Board”), on the recommendation of its Audit Committee, authorized for issuance the contents of this MD&A on February 16, 2016.

1.7 Nature and Formation

CT REIT is an unincorporated, closed-end real estate investment trust established on July 15, 2013 pursuant to a declaration of trust under, and governed by, the laws of the Province of Ontario as amended and restated as at October 22, 2013 (the “Declaration of Trust”). CT REIT commenced operations on October 23, 2013. The principal, registered and head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8. CTC owns an 83.8% effective interest in CT REIT as of December 31, 2015, consisting of 59,711,094 of the issued and outstanding units of CT REIT (“Units”) and all of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of CT REIT Limited Partnership (the “Partnership”), which are economically equivalent to and exchangeable for Units. CTC also owns all of the Class C limited partnership units (“Class C LP Units”) of the Partnership. The Units are listed on the Toronto Stock Exchange (“TSX”) under the symbol CRT.UN.

CT REIT has one segment which comprises the ownership and operation of primarily retail investment properties located in Canada.

2.0 Growth Strategy and Objectives

The following section contains forward-looking information and users are cautioned that actual results may vary.

The principal objective of CT REIT is to create Unitholder value over the long-term by generating reliable, durable and growing monthly distributions on a tax-efficient basis. To achieve this objective, management is focused on expanding the REIT’s asset base while also increasing its AFFO per Unit.

Future growth is expected to be achieved from a number of sources including:

1. The current portfolio of Canadian Tire store leases contain contractual annual rent escalations of 1.5% per year, on average, over the initial term of the leases and have a weighted average remaining lease term of 13.6 years;
2. CT REIT has contractual arrangements with CTC whereby CT REIT has a right of first offer¹ (“ROFO”) on all CTC properties which meet the REIT’s investment criteria and preferential rights, subject to certain exceptions, to participate in the development of, and to acquire, certain new retail properties; and
3. CT REIT will continue to seek to use its relationship with CTC to obtain insights into potential real estate acquisitions and development opportunities in markets across Canada.

¹ The initial term under the ROFO Agreement is 10 years and thereafter will continue in effect until such time as CTC ceases to hold a majority of the voting units, being the Units and Special Voting Units.

3.0 Overview of the Property Portfolio

3.1 Property Profile

The property portfolio as at December 31, 2015 consists of 282 retail properties, two distribution centres, one mixed-use commercial property and two development properties acquired for future development (the "Properties"). The Properties are located in each of the provinces and in two territories across Canada. The retail properties, distribution centres and mixed-use commercial property contain approximately 21.5 million square feet of gross leasable area ("GLA").

CT REIT's consolidated financial position, results of operations and property portfolio analyses include the REIT's one-third interest in Canada Square, a mixed-use commercial property in Toronto, ON. CTC is CT REIT's largest tenant. At December 31, 2015, CTC represented 98.0% of total operating GLA (December 31, 2014 - 97.9%) and 96.7% of annualized base minimum rent (December 31, 2014 - 96.4%).

Occupancy of the REIT's property portfolio, excluding properties under development, is as follows:

As at December 31, 2015			
(in square feet)	GLA	Occupied GLA	Occupancy
Canadian Tire stores	18,711,312	18,711,312	100%
Distribution centres	1,859,580	1,859,580	100%
Mixed-use property	281,304	274,422	97.6%
Third party tenants	295,816	287,148	97.1%
Other CTC Banners ¹	364,041	364,041	100%
Total	21,512,053	21,496,503	99.9%

¹ Includes Mark's and various FGL Sports banners, including Sport Chek, Sports Experts and Atmosphere (referred to herein as "Other CTC Banners").

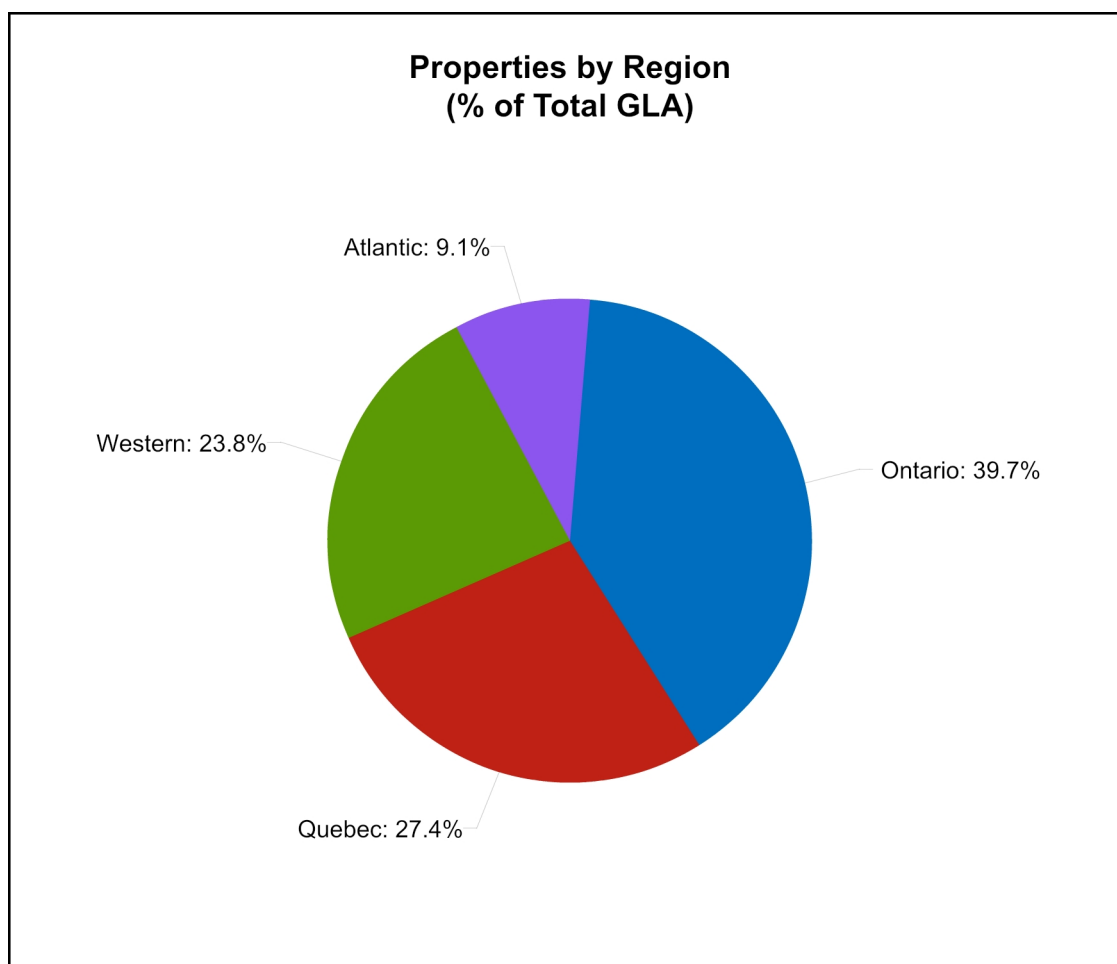
As at December 31, 2014			
(in square feet)	GLA	Occupied GLA	Occupancy
Canadian Tire stores	17,642,796	17,642,796	100%
Distribution centres	1,859,580	1,859,580	100%
Mixed-use property	281,304	270,594	96.2%
Third party tenants	293,956	281,513	95.8%
Other CTC Banners	280,484	280,484	100%
Total	20,358,120	20,334,967	99.9%

The REIT's property portfolio consists of:

As at	December 31, 2015	December 31, 2014
Stand-alone properties	247	238
Multi-tenant properties anchored by Canadian Tire store	32	27
Multi-tenant properties not anchored by Canadian Tire store	3	3
Distribution centres	2	2
Mixed-use property	1	1
Total operating properties	285	271
Development properties	2	2
Total properties	287	273

As at	December 31, 2015	December 31, 2014
Gas bars at retail properties	91	87

CT REIT's properties, excluding properties under development, by region, as a percentage of total GLA as at December 31, 2015 are as follows:



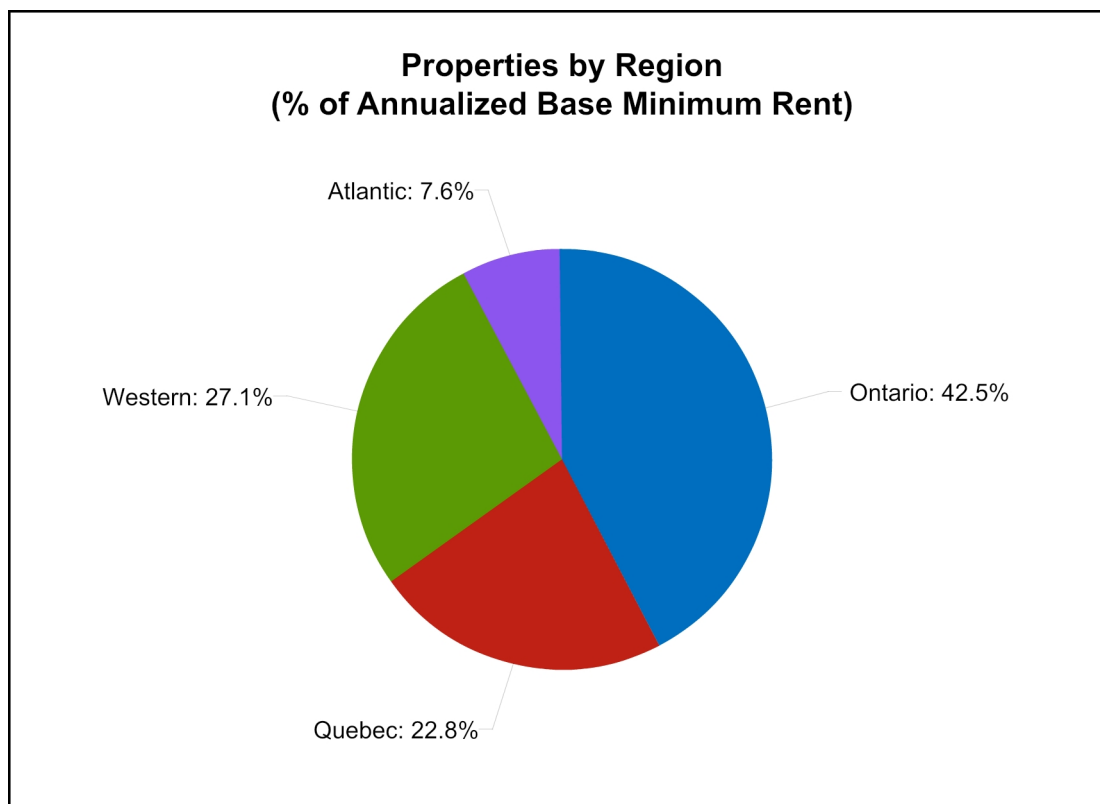
3.2 Six Largest Urban Markets

As at December 31, 2015, a significant portion of CT REIT's properties, excluding those under development, are located in the following large urban markets:

As at	December 31, 2015	December 31, 2014
Toronto	19.1%	19.1%
Montreal	13.3%	13.0%
Vancouver	3.9%	4.1%
Ottawa	5.0%	5.3%
Calgary	1.6%	1.7%
Edmonton	4.7%	3.9%
Percentage of Annualized Base Minimum Rent	47.6%	47.1%

3.3 Revenue by Region

CT REIT's Properties, excluding properties under development, are located across Canada with approximately 65.3% of annualized base minimum rent received in respect of properties in Ontario and Quebec.



3.4 Fair Value of Property Portfolio

The fair value of the Properties represents 99.3% of the total assets of CT REIT as at December 31, 2015.

	December 31, 2015			December 31, 2014		
	Income producing properties	Properties under development	Total investment properties	Income producing properties	Properties under development	Total investment properties
Balance, beginning of year	\$ 3,995,860	\$ 3,984	\$ 3,999,844	\$ 3,538,853	\$ 9,011	\$ 3,547,864
Property acquisitions (including transaction costs)	174,430	—	174,430	228,684	—	228,684
Intensifications	—	28,939	28,939	11,951	—	11,951
Developments	—	25,983	25,983	—	19,963	19,963
Development land	—	8,767	8,767	—	3,982	3,982
Capitalized interest and property taxes	—	390	390	—	442	442
Transfers	53,840	(53,840)	—	29,414	(29,414)	—
Fair value adjustment on investment properties	39,910	—	39,910	141,221	—	141,221
Straight-line rent	26,131	—	26,131	28,685	—	28,685
Recoverable capital expenditures	14,834	—	14,834	17,052	—	17,052
Dispositions	(167)	—	(167)	—	—	—
Balance, end of year	\$ 4,304,838	\$ 14,223	\$ 4,319,061	\$ 3,995,860	\$ 3,984	\$ 3,999,844

Properties under development ("PUD") include:

- the development of vacant land and building construction,
- intensification activities consisting of the construction of additional buildings on existing assets, and modifications to existing stores, and
- the redevelopment of a property.

At December 31, 2015, management's determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period. During 2015, independent appraisals were completed on 68 properties (2014 - 68 properties) having a fair value of \$999,830.

The significant inputs used to determine the fair value of CT REIT's income producing investment properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	264	21
Value at December 31, 2015	3,635,620	640,680
Discount rate	—	6.70%
Terminal capitalization rate	—	6.34%
Overall capitalization rate	6.36%	—
Hold period (years)	—	9

Valuations determined by the OCR method are most sensitive to changes in capitalization rates. Valuations determined by the DCF method are most sensitive to changes in discount rates.

The following table summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and discount rate, respectively:

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,271,687	\$ (363,933)	\$ 574,670	\$ (66,010)
+ 50 basis points	3,384,182	(251,438)	595,056	(45,624)
+ 25 basis points	3,505,130	(130,490)	616,983	(23,697)
Base rate	\$ 3,635,620	\$ —	\$ 640,680	\$ —
- 25 basis points	3,777,035	141,415	666,398	25,718
- 50 basis points	3,930,573	294,953	694,317	53,637
- 75 basis points	\$ 4,097,895	\$ 462,275	\$ 724,846	\$ 84,166

Included in CT REIT's investment properties are eight buildings which are situated on ground leases with remaining initial terms of between 3 and 40 years, and an average initial term of 16 years. Assuming all extension periods are exercised, the ground leases have terms between 26 and 51 years with an average remaining lease term of 37 years.

3.5 2015 Investment Activities

The following table presents properties acquired, intensified or developed during 2015.

(in thousands of Canadian dollars, except for GLA amounts)	Transaction Date	GLA	Total Investment Cost
Property Location			
London, ON ¹	February 2015	105,075	
Prescott, ON ¹	February 2015	37,731	
Val-d'Or, QC ¹	February 2015	90,225	
Chambly, QC ¹	February 2015	51,322	
Strathmore, AB ¹	February 2015	39,271	
Dawson Creek, BC ²	March 2015	21,487	
Edmonton, AB ²	March 2015	20,464	
Kamloops, BC ²	March 2015	10,529	
Aylmer, ON ²	April 2015	3,132	
Miramichi, NB ²	April 2015	5,173	
St. Paul, AB ²	April 2015	5,436	
Hawkesbury, ON ¹	June 2015	65,848	
Montreal (Lasalle), QC ¹	June 2015	88,382	
Montreal (Pointe-aux-Trembles), QC ¹	June 2015	78,464	
South Edmonton Common, AB ^{1,3}	June 2015	185,997	
Wallaceburg, ON ¹	June 2015	27,852	
Yarmouth, NS ¹	June 2015	54,236	
Dryden, ON ²	June 2015	2,783	
Kemptville, ON ²	June 2015	5,030	
Peace River, AB ²	June 2015	1,452	
Roberval, QC ²	June 2015	3,003	
St. John, NB ²	June 2015	3,699	
Swift Current, SK ²	August 2015	22,504	
Saskatoon, SK ²	September 2015	5,953	
Martensville, SK ⁴	October 2015	48,611	
High River, AB ⁴	October 2015	54,142	
Selkirk, MB ²	November 2015	16,003	
Waterdown, ON ²	November 2015	22,000	
Vaughan, ON ¹	December 2015	92,602	
Total		1,168,406	\$ 228,270

¹ Acquisition of income producing property.

² Intensification of existing asset; rent commences on the first day of the month, following the transaction date.

³ Located on ground lease.

⁴ Development project.

In Q1 2015, CT REIT completed the acquisition of a stand-alone Canadian Tire store in each of Strathmore, Alberta, Prescott, Ontario and in Chambly and Val-d'Or, Quebec, a multi-tenant property anchored by a Canadian Tire store in London, Ontario and development lands in Martensville, Saskatchewan from CTC. The total cost of the six acquisitions, including transaction costs, was approximately \$66.1 million. The REIT also completed the intensification of an existing Canadian Tire store in each of Dawson Creek and Kamloops, British Columbia and in Edmonton, Alberta. The total cost of the three intensifications was approximately \$9.7 million.

In Q2 2015, CT REIT completed the assignment of a ground lease in Edmonton, Alberta with a newly constructed stand-alone Canadian Tire store, the acquisition of a stand-alone Canadian Tire store in each of Hawkesbury and Wallaceburg, Ontario, Montreal (Lasalle), and Montreal (Pointe-aux-Trembles), Quebec and Yarmouth, Nova Scotia

from CTC. The total cost of the six acquisitions, including transaction costs, was approximately \$86.9 million. The REIT also completed the intensification of a Canadian Tire store in each of Peace River and St. Paul, Alberta, Aylmer, Dryden and Kemptville, Ontario, Roberval, Quebec and in Miramichi and St. John, New Brunswick. The total cost of the eight intensifications was approximately \$3.9 million.

In Q3 2015, CT REIT completed the acquisition of a redevelopment property in Arnprior, Ontario from a third party vendor, development lands in Innisfil, Ontario from CTC and lands adjoining an existing REIT owned retail property in each of Kelowna, British Columbia and Terrebonne, Quebec from a third party. The total cost of the four acquisitions, including transaction costs, was approximately \$11.9 million. The REIT also completed the construction of two Other CTC Banner stores on an existing REIT owned property in Swift Current, Saskatchewan and the intensification of an existing Canadian Tire store in Saskatoon, Saskatchewan. The total cost of the two intensifications was approximately \$6.0 million.

In Q4 2015, CT REIT completed the acquisition of a Canadian Tire store in Vaughan, Ontario from CTC and lands adjoining an existing REIT owned retail property in St. Paul, Alberta from a third party. The total cost of the two acquisitions, including transaction costs, was approximately \$25.3 million. The REIT also completed the development of a Canadian Tire store and Other CTC Banner store in High River, Alberta and a Canadian Tire store in Martensville, Saskatchewan. The expansion of an existing Other CTC Banner store and construction of a new Other CTC Banner store on an existing REIT owned property in Selkirk, Manitoba and the construction of two Other CTC Banner stores on an existing REIT owned property in Waterdown, Ontario were also completed by the REIT. The total cost of the two developments and two intensifications was \$26.2 million.

3.6 Development Activities

The following table provides details of the REIT's development activities as at December 31, 2015. The total building area represents the maximum anticipated area of the developments. The "Not Committed to Lease" column includes area which may be under construction but not committed to lease, depending on site specific circumstances. The "Committed Additional Investment" column represents the financial commitment required to complete the "Committed to Lease" area and related site works. The "Potential Future Investment" column is an estimate and represents the remaining costs to complete the entire development assuming the "Not Committed to Lease" area is leased and fully constructed.

Property	Anticipated Date of Completion	Building Area (in square feet)			Total investment (in thousands of Canadian dollars)			
		Committed to Lease	Not Committed to Lease	Total	Incurred To-date	Committed Additional Investment	Potential Future Investment	Total
Repentigny, QC ²	Q1 2016	4,000	—	4,000				
Innisfil, ON ¹	Q2 2016	49,000	—	49,000				
Martensville, SK ²	Q4 2016	—	19,000	19,000				
High River, AB ²	Q4 2016	—	10,000	10,000				
Arnprior, ON ³	Q4 2016	124,000	9,000	133,000				
TOTAL		177,000	38,000	215,000	\$ 14,223	\$ 16,770	\$ 8,759	\$ 39,752

¹ Development of vacant land.

² Intensification of an existing income producing property.

³ Redevelopment property.

Arnprior Mall is a redevelopment property, with an existing GLA of 114,022 square feet and an occupancy rate of 57.0% including third party tenants and Other CTC banners of 58,671 square feet and 5,841 square feet, respectively, as at December 31, 2015. Arnprior Mall is being redeveloped to include a 43,222 square foot Canadian Tire store which will significantly improve the occupancy rate of this property.

The third party leasing at Martensville, High River and Arnprior is ongoing and CT REIT is currently in discussions with prospective tenants.

As at December 31, 2015, CT REIT had intensification and development activities occurring at five investment properties representing 177,000 square feet, of which 56% has been leased to CTC. A total of \$14,223 has been expended on these developments and CT REIT anticipates investing an additional \$16,770 to complete the development of the 177,000 square feet.

3.7 Investment and Development Funding

Funding for the Q4 2015 investment and development activities was as follows:

Q4 2015 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 8,000	\$ —	\$ 14,060	\$ 460	\$ 22,520
Funded with working capital to third parties ¹	780	32	1,741	2,348	4,901
Issuance of Class B LP Units to CTC	—	—	—	—	—
Issuance of Class C LP Units to CTC	16,550	—	—	—	16,550
Mortgages assumed	—	—	—	—	—
Total costs	\$ 25,330	\$ 32	\$ 15,801	\$ 2,808	\$ 43,971

¹Includes \$3.7 million for the construction of stores for Other CTC Banners.

Funding for the year ended December 31, 2015 of investment and development activities was as follows:

2015 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC	\$ 41,955	\$ 1	\$ 14,060	\$ 15,103	\$ 71,119
Funded with working capital to third parties ¹	1,095	627	8,966	13,836	24,524
Issuance of Class B LP Units to CTC	99,830	—	—	—	99,830
Issuance of Class C LP Units to CTC	31,550	8,139	—	—	39,689
Mortgages assumed	—	—	2,957	—	2,957
Total costs	\$ 174,430	\$ 8,767	\$ 25,983	\$ 28,939	\$ 238,119

¹Includes \$17.7 million for the construction of stores for Other CTC Banners.

Funding for the year ended December 31, 2014 of investment and development activities was as follows:

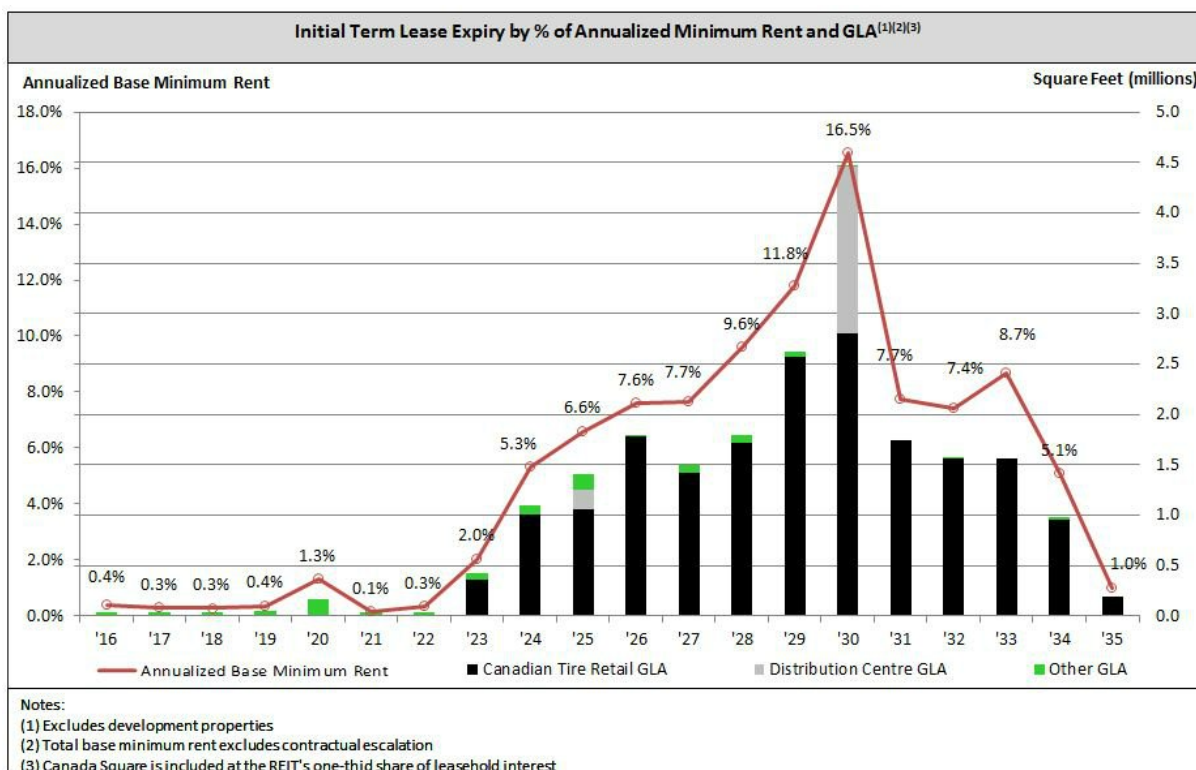
2014 Investment and Development Activity					
(in thousands of Canadian dollars)	Property investments	Development land	Developments	Intensifications	Total
Funded with working capital to CTC ¹	\$ 31,479	\$ —	\$ 19,929	\$ 11,951	\$ 63,359
Funded with working capital to third parties	71,267	3,982	34	—	75,283
Issuance of Class B LP Units to CTC	19,464	—	—	—	19,464
Issuance of Class C LP Units to CTC	47,279	—	—	—	47,279
Mortgages assumed	59,195	—	—	—	59,195
Total costs	\$ 228,684	\$ 3,982	\$ 19,963	\$ 11,951	\$ 264,580

¹Net of post-closing adjustments

3.8 Lease Maturities

CTC is CT REIT's largest tenant. As at December 31, 2015 CTC, including all CTC Banners, had leased over 21.1 million square feet of GLA, with approximately 89% and 9% of the GLA attributable to retail and distribution properties, respectively. The weighted average term of the retail leases with CTC, including all CTC Banners, is 13.6 years, excluding the exercise of any renewals. The weighted average term of the Canadian Tire store leases is 13.6 years, with a weighted average rental rate of \$13.20 per square foot. The weighted average lease term of the distribution centres, which are both leased by CTC, is 14.2 years. The weighted average lease term of all tenants in the REIT's portfolio, excluding those in development properties, is 13.4 years.

The following graph presents as of December 31, 2015, the lease maturity profile from 2016 to 2035 (assuming tenants do not exercise renewal options or termination rights) as a percentage of total base minimum rent and GLA as of the time of expiry.



3.9 Top 10 Tenants Excluding CTC Banners

As at December 31, 2015, CT REIT's 10 largest tenants, excluding CTC Banners and those located in properties under development, as represented by the percentage of total annualized base rental revenue, are:

Rank	Tenant Name	Percentage of Total Annualized Base Rental Revenue
1	Overwaitea Foods	0.33%
2	Best Buy	0.28%
3	Precise Parklink	0.24%
4	Marshalls	0.24%
5	RBC Royal Bank	0.20%
6	Shoppers Drug Mart	0.18%
7	PetSmart	0.17%
8	GoodLife Fitness	0.16%
9	TV Ontario	0.16%
10	Boston Pizza	0.14%
		2.1%

4.0 Results of Operations

4.1 Summary of Selected Financial and Operational Information

Readers are reminded that certain key performance indicators may not have standardized meanings under GAAP. For further information on the REIT's operating measures and non-GAAP financial measures, refer to sections 1.0 and 9.0.

(in thousands of Canadian dollars, except per Unit, Unit and square footage amounts)							
For the periods ended December 31,	Three Months Ended			Year Ended			Change
	2015	2014	Change	2015	2014	Change	
Property revenue	\$ 96,599	\$ 89,212	8.3 %	\$ 378,180	\$ 344,791	9.7 %	
Income before interest and other financing charges, taxes and fair value adjustments ¹	\$ 72,225	\$ 67,699	6.7 %	\$ 281,904	\$ 260,031	8.4 %	
Net operating income ¹	\$ 68,130	\$ 62,115	9.7 %	\$ 265,350	\$ 239,648	10.7 %	
Net income	\$ 62,824	\$ 53,711	17.0 %	\$ 234,480	\$ 318,261	(26.3)%	
Net income/Unit (basic) ²	\$ 0.331	\$ 0.296	11.8 %	\$ 1.251	\$ 1.762	(29.0)%	
Net income/Unit (diluted) ⁴	\$ 0.257	\$ 0.222	15.8 %	\$ 0.972	\$ 1.203	(19.2)%	
Funds from operations ¹	\$ 50,027	\$ 46,528	7.5 %	\$ 194,711	\$ 176,798	10.1 %	
Funds from operations/Unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.264	\$ 0.256	3.1 %	\$ 1.038	\$ 0.979	6.0 %	
Adjusted funds from operations ¹	\$ 38,995	\$ 34,657	12.5 %	\$ 151,660	\$ 132,866	14.1 %	
Adjusted funds from operations/Unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.206	\$ 0.191	7.9 %	\$ 0.808	\$ 0.736	9.8 %	
Distributions/Unit - paid ^{2,7}	\$ 0.166	\$ 0.163	2.0 %	\$ 0.663	\$ 0.65	2.0 %	
AFFO payout ratio ¹	81%	85%	(4.7)%	82%	88%	(6.8)%	
Excess of AFFO over distributions:							
Cash retained from operations before distribution reinvestment ⁶	\$ 7,572	\$ 5,170	46.5 %	\$ 27,588	\$ 15,520	77.8 %	
Per Unit (diluted, non-GAAP) ^{1,2,3}	\$ 0.040	\$ 0.028	42.9 %	\$ 0.147	\$ 0.086	70.9 %	
Weighted average number of Units outstanding ²							
Basic	189,582,380	181,468,432	4.5 %	187,511,930	180,599,151	3.8 %	
Diluted ⁴	318,214,711	334,627,758	(4.9)%	321,729,709	332,346,061	(3.2)%	
Diluted (non-GAAP) ^{1,3}	189,674,625	181,524,387	4.5 %	187,607,169	180,643,636	3.9 %	
Period-end Units outstanding ²				189,600,687	181,485,782	4.5 %	
Total assets				\$ 4,350,903	\$ 4,017,420	8.3 %	
Total indebtedness ¹				\$ 2,095,045	\$ 1,983,773	5.6 %	
Book value per Unit ^{1,2}				\$ 11.67	\$ 11.03	5.8 %	
Market price per Unit - Close (end of period)				\$ 13.00	\$ 12.31	5.6 %	
OTHER DATA							
Weighted average interest rate				4.22%	4.31%	(2.1)%	
Indebtedness ratio ¹				48.2%	49.4%	(2.4)%	
Interest coverage (times) ¹	3.26	3.18	2.5 %	3.23	3.13	3.2 %	
Debt / enterprise value ratio ¹				45.9%	47.0%	(2.3)%	
Gross leaseable area ⁵				21,512,053	20,358,120	5.7 %	
Occupancy rate ⁵				99.9%	99.9%	— %	

¹ Non-GAAP key performance indicators. Refer to section 9.0 for further information.

² Total Units consists of REIT Units and Class B LP Units outstanding.

³ Diluted Units used in calculating non-GAAP measures include restricted and deferred units issued under various plans and exclude the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units.

⁴ Diluted Units determined in accordance with IFRS includes restricted and deferred units issued under various plans and the effect of assuming that all of the Class C LP Units will be settled with Class B LP Units. Refer to section 6.0.

⁵ Refers to retail, mixed-use commercial and distribution centre properties and excludes properties under development.

⁶ Refer to section 6.0 for further information.

⁷ Period-over-period percentage change is calculated based on exact fractional amounts rather than rounded fractional amounts.

4.2 Financial Results for the Three Months and Year Ended December 31, 2015

(in thousands of Canadian dollars)						
For the periods ended December 31,	Three Months Ended			Year Ended		
	2015	2014	Change	2015	2014	Change
Property revenue	\$ 96,599	\$ 89,212	8.3%	\$ 378,180	\$ 344,791	9.7 %
Property expense	(21,789)	(19,338)	12.7%	(86,856)	(76,677)	13.3 %
General and administrative expense	(2,671)	(2,196)	21.6%	(9,652)	(8,433)	14.5 %
Interest income	86	21	309.5%	232	350	(33.7)%
Interest and other financing charges	(22,132)	(21,293)	3.9%	(87,334)	(82,991)	5.2 %
Fair value adjustment on investment properties	12,731	7,305	74.3%	39,910	141,221	(71.7)%
Net income and comprehensive income	\$ 62,824	\$ 53,711	17.0%	\$ 234,480	\$ 318,261	(26.3)%

4.3 Property Revenue

Property revenue includes all amounts earned from tenants pursuant to lease agreements including property taxes, operating costs and other recoveries. Many of CT REIT's expenses are recoverable from tenants pursuant to their leases, with CT REIT absorbing these expenses to the extent of vacancies.

Total revenue for the three months ended December 31, 2015 increased \$7,387 (8.3%) compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2015 and 2014. Total revenue included expense recoveries in the amount of \$20,861 (Q4 2014 - \$17,946).

Total revenue for the year ended December 31, 2015 was \$378,180 which was \$33,389 (9.7%) higher compared to the same period in the prior year primarily due to base rent related to properties acquired and intensification activities completed during 2015 and 2014. Total revenue included expense recoveries in the amount of \$82,083 (2014 - \$71,910).

The total amount of base rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. For the three months ended December 31, 2015, straight-line rent of \$6,702 (Q4 2014 - \$7,843) was included in total property revenue. For the year ended December 31, 2015, straight-line rent was \$26,131 (2014 - \$28,685).

4.4 Property Expense

The major components of property expense consist of property taxes and costs associated with the outsourcing of property management services pursuant to the Property Management Agreement as well as other costs. The majority of expenses are recoverable from tenants, with CT REIT absorbing these expenses to the extent of vacancies. The Property Management Agreement provides for services to the REIT to be on a cost recovery basis with a fixed maximum fee not to exceed \$2,336 for the year ended December 31, 2015. Refer to section 7.0 for additional information on the Property Management Agreement.

Property expenses for the three months ended December 31, 2015 increased \$2,451 (12.7%) compared to the same period in the prior year primarily due to property acquisitions.

Property expenses for the year ended December 31, 2015 increased \$10,179 (13.3%) compared to the same period in the prior year primarily due to property acquisitions.

4.5 Net Operating Income

CT REIT defines NOI as property revenue less property expense, adjusted further for straight-line rent and land lease adjustments. Management believes that NOI is a useful key indicator of performance as it represents a measure over which management has control. NOI is also a key input in determining the value of the portfolio.

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2015	2014	Change	2015	2014	Change
Property revenue	\$ 96,599	\$ 89,212	8.3 %	\$ 378,180	\$ 344,791	9.7 %
Less:						
Property expense	(21,789)	(19,338)	12.7 %	(86,856)	(76,677)	13.3 %
Straight-line rent adjustment	(6,702)	(7,843)	(14.5)%	(26,131)	(28,685)	(8.9)%
Add:						
Straight-line land lease expense	22	84	(73.8)%	157	219	(28.3)%
Net operating income¹	\$ 68,130	\$ 62,115	9.7 %	\$ 265,350	\$ 239,648	10.7 %

¹ Non-GAAP key performance measure. Refer to section 9.1 in this MD&A for further information.

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2015	2014	Change ²	2015	2014	Change ²
Same store	\$ 63,779	\$ 61,678	3.4%	\$ 237,423	\$ 231,395	2.6%
Intensifications						
2015	260	—	NM	713	—	NM
2014	244	110	121.8%	966	—	NM
Same property	\$ 64,283	\$ 61,788	4.0%	\$ 239,102	\$ 231,395	3.3%
Acquisitions						
2015	3,342	—	NM	7,717	—	NM
2014	505	327	54.4%	18,531	8,253	124.5%
Net operating income¹	\$ 68,130	\$ 62,115	9.7%	\$ 265,350	\$ 239,648	10.7%

¹ Non-GAAP key performance measure. Refer to section 9.1 in this MD&A for further information.

² NM - not meaningful.

NOI for the three months ended December 31, 2015 increased \$6,015 (9.7%) compared to the same period in the prior year primarily due to the acquisition of income producing properties completed in 2015 and 2014, which contributed \$3,520 to NOI growth.

Same store NOI and same property NOI for the three months ended December 31, 2015 increased \$2,101 (3.4%) and \$2,495 (4.0%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store leases, which are generally effective January 1st, contributed \$842 to NOI growth;
- increase in the recovery of operating expenses which increased NOI by \$673;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$546 to NOI growth; and
- intensifications completed in 2015 and 2014 contributed \$394 to NOI growth.

NOI for the year ended December 31, 2015 increased \$25,702 (10.7%) compared to the same period in the prior year primarily due to acquisition of income producing properties completed in 2015 and 2014, which contributed \$17,995 to NOI growth.

Same store NOI and same property NOI for the year ended December 31, 2015 increased \$6,028 (2.6%) and \$7,707 (3.3%), respectively, when compared to the prior year for the following reasons:

- contractual rent escalations of 1.5% per year, on average, contained within the Canadian Tire store leases, which are generally effective January 1st, contributed \$3,235 to NOI growth;
- recovery of capital expenditures and interest earned on the unrecovered balance contributed \$2,124 to NOI growth;
- intensifications completed in 2015 and 2014 contributed \$1,679 to NOI growth; and
- increase in the recovery of operating expenses which increased NOI by \$440.

4.6 General and Administrative Expense

CT REIT has two broad categories of general and administrative expenses: i) personnel and public entity costs, and ii) outsourced costs. The personnel and public entity costs reflect the expenses related to ongoing operations of CT REIT which will fluctuate depending on when such expenses are incurred. The outsourced costs are largely related to the services provided by CTC pursuant to the Services Agreement. The Services Agreement provides for services to the REIT to be on a cost recovery basis with a fixed maximum fee not to exceed \$3,334 for the year ended December 31, 2015. Refer to section 7.0 for additional information on the Services Agreement.

(in thousands of Canadian dollars)		Three Months Ended			Year Ended		
For the periods ended December 31,		2015	2014	Change	2015	2014	Change
Services Agreement with CTC	\$	834	\$ 816	2.2 %	\$ 3,334	\$ 3,288	1.4 %
Personnel expense		1,099	618	77.8 %	3,908	2,134	83.1 %
Other		738	762	(3.1)%	2,410	3,011	(20.0)%
General and administrative expense	\$	2,671	\$ 2,196	21.6 %	\$ 9,652	\$ 8,433	14.5 %
As a percent of property revenue		2.8%	2.5%	12.0 %	2.6%	2.4%	8.3 %

General and administrative expenses amounted to \$2,671 or 2.8% of property revenue for the three months ended December 31, 2015 which is \$475 (21.6%) higher compared to the same period in the prior year primarily due to:

- increased compensation costs; and
- the recognition of a deferred tax asset in 2014 in connection with CT REIT GP Corp's ("GP") activities, partially offset by:
- lower transfer agency and filing fees.

General and administrative expenses amounted to \$9,652 or 2.6% of property revenue for the year ended December 31, 2015 which is \$1,219 (14.5%) higher compared to the same period in the prior year primarily due to:

- increased compensation costs; and
- income tax expense recorded in 2015 in connection with CT REIT GP Corp's ("GP") activities which resulted in a drawdown of the REIT's deferred tax asset; partially offset by:
- lower transfer agency and filing fees, and
- decreased due diligence costs.

4.7 Interest Income

Interest income for the three months ended December 31, 2015 increased by \$65 as compared to the same period in the prior year due to an increase in cash available to be invested in short-term deposits.

Interest income for the year ended December 31, 2015 decreased by \$118 (33.7%) as compared to the prior year due to a decrease in the average cash balance available to be invested in short-term deposits.

4.8 Interest and Other Financing Charges

The Partnership has issued 1,686,968 Class C LP Units with a face value of \$1,686,968 and bearing a weighted average distribution rate of 4.50% per annum. The Class C LP Units are subject to redemption rights. Accordingly, the Class C LP Units are classified as financial liabilities and distributions on the Class C LP Units are presented in interest and other financing charges in the consolidated statements of income and comprehensive income.

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2015	2014	Change ²	2015	2014	Change ²
Interest on Class C LP Units ¹	\$ 18,864	\$ 20,515	(8.0)%	\$ 78,318	\$ 81,643	(4.1)%
Interest on debentures payable	2,833	—	NM	6,359	—	NM
Interest on mortgages payable	406	407	(0.2)%	1,631	652	150.2 %
Interest on Bank Credit Facility	—	246	(100.0)%	647	355	82.3 %
Bank Credit Facility costs	130	162	(19.8)%	638	674	(5.3)%
Amortization of debentures payable financing cost	56	—	NM	131	—	NM
	22,289	21,330	4.5 %	87,724	83,324	5.3 %
Less: capitalized interest	(157)	(37)	324.3 %	(390)	(333)	17.1 %
Interest and other financing charges	\$ 22,132	\$ 21,293	3.9 %	\$ 87,334	\$ 82,991	5.2 %

¹CTC elected to defer receipt of distributions on the Series 2-12 Class C LP Units for the three months and year ended December 31, 2015 in the amount of \$18,765 (Q4 2014 - \$18,765) and \$68,805 (YTD 2014 - \$68,425), respectively, until the first business day following the end of the fiscal year and receive a loan in lieu thereof, which has been netted against interest payable on Class C LP Units and is included under the heading "other liabilities" on the consolidated balance sheets.

²NM - not meaningful

Interest and other financing charges for the three months ended December 31, 2015 was \$839 (3.9%) higher compared to the same quarter in the prior year largely due to the debentures issued in June 2015 and mortgages assumed, partially offset by the redemption of Series 1 Class C LP Units.

Interest and other financing charges for the year ended December 31, 2015 was \$4,343 (5.2%) higher compared to the prior year largely due to the debentures issued in June 2015, timing of mortgages assumed in 2014 and draws on the \$200 million revolving credit facility ("Bank Credit Facility") partially offset by the redemption of Series 1 Class C LP Units.

4.9 Fair Value Adjustment on Investment Properties

CT REIT recorded a fair value gain on investment properties of \$12,731 for the three months ended December 31, 2015 principally due to increased future cash flows and market updates, such as capitalization rate changes. The fair value gain for the year ended December 31, 2015 of \$39,910 relates to increased future cash flows and the preceding factors impacting the fourth quarter fair value gain partially offset by transaction costs incurred in connection with the acquisition of investment properties.

During the year ended December 31, 2014, CT REIT recorded a fair value gain of \$141,221 on the portfolio of investment properties. Management's determination of fair value as at March 31, 2014 incorporated valuation parameters used by the external appraisers, which gave rise to a fair value adjustment of \$123,099 in Q1 2014; management had previously placed greater weight on the valuations implied by the initial public offering which closed on October 23, 2013. In addition, fair value gains of \$7,305 and \$141,221 for the three months and year ended December 31, 2014, respectively, were recorded as a result of increased cash flows partially offset by transaction costs incurred in connection with the acquisition of investment properties.

4.10 Income Tax Expense

Management operates CT REIT in a manner that enables the REIT to continue to qualify as a real estate investment trust pursuant to the Income Tax Act (Canada) ("ITA"). CT REIT distributes 100% of its taxable income to Unitholders and therefore does not incur income tax expense in relation to its activities.

If CT REIT fails to distribute the required amount of income to Unitholders or if CT REIT fails to qualify as a REIT under the ITA, substantial adverse tax consequences may occur. Refer to section 10.0 for additional information on CT REIT's Enterprise Risk Management Program ("ERM Program").

4.11 Net Income

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2015	2014	% Change	2015	2014	% Change
Net income and comprehensive income	\$ 62,824	\$ 53,711	17.0%	\$ 234,480	\$ 318,261	(26.3)%
Net income per Unit - basic	\$ 0.331	\$ 0.296	11.8%	\$ 1.251	\$ 1.762	(29.0)%
Net income per Unit - diluted	\$ 0.257	\$ 0.222	15.8%	\$ 0.972	\$ 1.203	(19.2)%

Net income increased by \$9,113 (17.0%) and net income per Unit - diluted increased \$0.035 (15.8%) for the three months ended December 31, 2015 compared to the same period in the prior year primarily due to increased NOI due to acquisitions and an increased fair value adjustment on investment properties.

Full year net income decreased \$83,781 (26.3%) and net income per Unit - diluted decreased \$0.23 (19.2%) over the prior year primarily due to a reduced fair value adjustment on investment properties in 2015 partially offset by increased NOI due to acquisitions.

4.12 Leasing Activities

The future financial performance of CT REIT will be impacted by occupancy rates, trends in rental rates achieved on leasing or renewing currently leased space, and contractual increases in rent. There was no significant leasing activity with tenants not related to CTC during the year ended December 31, 2015.

4.13 Recoverable Capital Costs

Many of the capital costs that will be incurred by CT REIT are recoverable from tenants pursuant to the terms of their leases. The recoveries will occur either in the year in which such expenditures are incurred or, in the case of a major item of repair, maintenance or replacement, on a straight-line basis over the expected useful life thereof together with an imputed rate of interest on the unrecovered balance at any point in time. From time to time, as a result of specific lease terms which limit the recovery of expenses, CT REIT is unable to recover these costs from certain tenants. Capital expenditures of \$3,591 and \$14,834 (Q4 2014 - \$6,188 and YTD 2014 - \$17,052) were incurred during the three months and year ended December 31, 2015, respectively. Most of the REIT's recoverable capital expenditures relates to parking lots, roofs and heating, ventilation and air conditioning activities that are typically seasonal.

5.0 Liquidity and Financial Condition

The following section contains forward-looking information and users are cautioned that actual results may vary.

5.1 Liquidity

CT REIT intends to fund capital expenditures for acquisitions and development activities through (i) cash on hand, (ii) issuances of Units, Class B LP Units and Class C LP Units (iii) draws on the Bank Credit Facility (iv) assumption of existing debt, and/or (v) other long-term financing.

(in thousands of Canadian dollars)			
As at	December 31, 2015		December 31, 2014
Cash and cash equivalents	\$	24,680	\$ 2,710
Unused portion of Bank Credit Facility		199,689	122,000
Liquidity	\$	224,369	\$ 124,710

Cash flow generated from operating the Property portfolio represents the primary source of liquidity to service debt and to fund planned maintenance expenditures, leasing costs, general and administrative expenses and distributions (other sources being interest income as well as cash on hand).

(in thousands of Canadian dollars)			
For the periods ended December 31,	Year Ended		
	2015	2014	Change
Cash generated from operating activities	\$ 265,400	\$ 233,789	13.5 %
Cash used for investing activities	(102,830)	(157,543)	(34.7)%
Cash used for financing activities	(140,600)	(120,535)	16.6 %
Cash generated/(used) in the year	\$ 21,970	\$ (44,289)	NM

5.2 Discussion of Cash Flows

Cash generated during the year ended December 31, 2015 of \$21,970, is primarily the result of:

- cash generated from operating activities exceeding distributions and interest paid; and
- proceeds from the issuance of debentures payable was more than offset by the redemption of the Class C LP Units, the repayment of the Bank Credit Facility and the funding of investing activities.

5.3 Credit Ratings

CT REIT and the Partnership are rated by Standard & Poor's Financial Services LLC ("S&P") and DBRS Limited ("DBRS"), respectively, two independent credit rating agencies which provide credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally "AAA") to default in payment (generally "D").

CT REIT and the Partnership's ratings are related to and currently equivalent to those of CTC, CT REIT's most significant tenant for the foreseeable future. This ratings equivalence is largely based on CTC's significant ownership position in CT REIT and the strategic relationship between CT REIT and CTC.

The following table sets out the current credit ratings of CT REIT and the Partnership:

Credit Ratings (Canadian Standards)	DBRS		S&P	
	Credit Rating	Trend	Credit Rating	Trend
Issuer rating	BBB (high)	Stable	BBB+	Stable

5.4 Debt and Capital Structure

CT REIT's debt and capital structure is as follows:

(in thousands of Canadian dollars)			
As at	December 31, 2015		December 31, 2014
Class C LP Units	\$	1,686,968	\$ 1,847,279
Mortgages payable		60,129	58,494
Debentures payable		347,948	—
Bank Credit Facility		—	78,000
Total indebtedness	\$	2,095,045	\$ 1,983,773
Unitholders' equity		1,037,209	982,588
Non-controlling interests		1,176,154	1,019,601
Total capital under management	\$	4,308,408	\$ 3,985,962

CT REIT's total indebtedness at December 31, 2015 is higher than at December 31, 2014 primarily due to the issuance of \$350,000 of senior unsecured debentures (the "Debentures"), partially offset by the repayment of the REIT's Series 1 Class C LP Units of \$200,000 and its Bank Credit Facility by \$78,000.

CT REIT's Unitholders' equity and non-controlling interests at December 31, 2015 increased as compared to December 31, 2014 primarily as a result of net income exceeding distributions and due to the issuance of Class B LP Units.

Future payments in respect of CT REIT's indebtedness are as follows:

	Mortgages Payable		Class C LP Units	Debentures Payable	Bank Credit Facility	Total
(in thousands of Canadian dollars)	Principal Amortization	Maturities				
For the period ending December 31:						
2016	\$ 1,199	\$ 2,875	\$ 200,000	\$ —	\$ —	\$ 204,074
2017	1,240	—	70,418	—	—	71,658
2018	422	16,661	—	—	—	17,083
2019	—	37,626	—	—	—	37,626
2020	—	—	216,550	—	—	216,550
2021 and thereafter	—	—	1,200,000	350,000	—	1,550,000
Total contractual obligation	\$ 2,861	\$ 57,162	\$ 1,686,968	\$ 350,000	\$ —	\$ 2,096,991
Unamortized portion of mark to market on mortgages payable assumed in connection with the acquisition of properties	—	282	—	—	—	282
Unamortized transaction costs	—	(176)	—	(2,052)	—	(2,228)
	\$ 2,861	\$ 57,268	\$ 1,686,968	\$ 347,948	\$ —	\$ 2,095,045

Interest rates on CT REIT's indebtedness range from 1.65% to 5.00%. The maturity dates on the indebtedness range from May 31, 2016 to May 31, 2038. Total indebtedness at December 31, 2015 has a weighted average interest

rate of 4.22%, which is consistent with the rate as at September 30, 2015. At December 31, 2015, floating rate and fixed rate indebtedness were \$31,133 and \$2,063,912, respectively.

As at	December 31, 2015	December 31, 2014
Variable rate debt	\$ 31,133	\$ 109,133
Total indebtedness	\$ 2,095,045	\$ 1,983,773
Variable rate debt / total indebtedness	1.49%	5.50%

CT REIT's variable rate debt to total indebtedness ratio at December 31, 2015, decreased as compared to December 31, 2014 due to the repayment of the Bank Credit Facility and the increase in long term debt due to the issuance of the Debentures, partially offset by the redemption of \$200,000 Class C LP Units.

The following table presents the contractual obligations of CT REIT's financial liabilities:

	Payments Due by Period						
	Total	2016	2017	2018	2019	2020	2021 and thereafter
Class C LP Units ¹	\$1,686,968	\$ 200,000	\$ 70,418	\$ —	\$ —	\$ 216,550	\$ 1,200,000
Payments on Class C LP Units ¹	990,665	71,772	68,007	67,401	67,401	61,917	654,167
Debentures payable	350,000	—	—	—	—	—	350,000
Interest on debentures payable	94,820	11,332	11,332	11,332	11,332	11,332	38,160
Mortgages payable	60,023	4,074	1,240	17,083	37,626	—	—
Ground lease payments	54,592	3,680	3,704	3,704	3,477	3,423	36,604
Other Liabilities	24,636	23,155	1,481	—	—	—	—
Interest on mortgages payable	11,497	3,318	3,246	2,701	2,232	—	—
Distributions payable ²	10,745	10,745	—	—	—	—	—
Payable on Class C LP Units, net of loans receivable	6,288	6,288	—	—	—	—	—
TOTAL	\$3,290,234	\$ 334,364	\$ 159,428	\$ 102,221	\$ 122,068	\$ 293,222	\$ 2,278,931

¹Assume redemption on expiry of initial fixed rate period for each series.

²On Units and Class B LP Units.

The table below presents CT REIT's interest in assets at fair value that are available to it to finance and/or refinance its debt as at December 31, 2015:

(in thousands of Canadian dollars, except percentage amounts)	Number of Properties	Fair Value of Investment Properties	Percentage of Total Assets	Mortgages Payable	Loan to Value Ratio
Unencumbered assets	281	\$ 4,186,062	96.2%	\$ —	—
Encumbered assets	6	132,999	3.1%	60,129	45.2%
Total	287	\$ 4,319,061	99.3%	\$ 60,129	1.4%

The table below presents CT REIT's secured debt as a percentage of total indebtedness:

(in thousands of Canadian dollars)	December 31, 2015	December 31, 2014
As at		
Secured debt	\$ 60,129	\$ 58,494
Total indebtedness	2,095,045	1,983,773
Secured debt / total indebtedness	2.87%	2.95%

The table below presents CT REIT's indebtedness to EBITFV ratio:

(in thousands of Canadian dollars)			
As at	December 31, 2015		December 31, 2014
Total indebtedness	\$	2,095,045	\$ 1,983,773
EBITFV ¹		281,904	260,031
Total indebtedness / EBITFV		7.43	7.63

¹ Non-GAAP key performance indicator. Refer to section 9.0 for further information.

5.5 Class C LP Units

At December 31, 2015 there were 1,686,968 Class C LP Units outstanding, all of which were held by CTC. The Class C LP Units are designed to provide CTC with an interest in the Partnership that entitles holders to a fixed cumulative monthly payment during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period") equal to a weighted average of 4.50% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of Class B LP Units and GP Units (subject to certain exceptions), if, as and when declared by the Board of Directors of the GP, payable monthly at an annual distribution rate for each series as set out in the table below. In addition, the Class C LP Units are entitled to receive Special Voting Units in certain limited circumstances.

On expiry of the Initial Fixed Rate Period applicable to each series of Class C LP Units, and every five years thereafter, each such series of Class C LP Units is redeemable at par (together with all accrued and unpaid payments thereon) at the option of the Partnership or the holder, upon giving at least 120 days' prior notice. The Partnership further has the ability to settle any of the Class C LP Units at any time after January 1, 2019 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

Such redemptions of Class C LP Units (other than upon a change of control at CT REIT) can be settled, at the option of the Partnership, in cash or Class B LP Units of equal value.

During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, if not redeemed, the fixed payment rate for Class C LP Units will be reset, and the holders of Class C LP Units will be entitled, subject to certain conditions, to elect either a fixed rate or floating rate option.

The following table presents the details of the Class C LP Units:

Series of Class C LP Units	Initial Subscription Price (\$000)	Annual Distribution Rate During Initial Fixed Rate Period	Expiry of Initial Fixed Rate Period	% of Total Class C LP Units
Series 2	\$ 200,000	3.50%	May 31, 2016 (0.4 years)	11.9%
Series 3	200,000	4.50%	May 31, 2020 (4.4 years)	11.9%
Series 4	200,000	4.50%	May 31, 2024 (8.4 years)	11.9%
Series 5	200,000	4.50%	May 31, 2028 (12.4 years)	11.9%
Series 6	200,000	5.00%	May 31, 2031 (15.4 years)	11.9%
Series 7	200,000	5.00%	May 31, 2034 (18.4 years)	11.9%
Series 8	200,000	5.00%	May 31, 2035 (19.4 years)	11.9%
Series 9	200,000	5.00%	May 31, 2038 (22.4 years)	11.9%
Series 10	7,130	2.38%	May 31, 2017 (1.4 years)	0.4%
Series 11	20,685	2.20%	May 31, 2017 (1.4 years)	1.2%
Series 12	19,464	2.23%	May 31, 2017 (1.4 years)	1.1%
Series 13	3,789	1.65%	May 31, 2017 (1.4 years)	0.2%
Series 14	15,000	1.71%	May 31, 2017 (1.4 years)	0.8%
Series 15	4,350	1.77%	May 31, 2017 (1.4 years)	0.2%
Series 16	16,550	2.42%	May 31, 2020 (4.4 years)	0.9%
Total / weighted average	\$ 1,686,968	4.50%	12.1 years	100%
Current	\$ 200,000			
Non-current	1,486,968			
Total	\$ 1,686,968			

5.6 Debentures Payable

Series	December 31, 2015		December 31, 2014	
	Face Value	Carrying Amount	Face Value	Carrying Amount
Series A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,159	\$ —	\$ —
Series B, 3.53%, June 9, 2025	200,000	198,789	—	—
	\$ 350,000	\$ 347,948	\$ —	\$ —

On June 9, 2015, CT REIT issued \$350,000 aggregate principal amount of Debentures. The proceeds, net of issuance costs of \$2,184, were used to indirectly redeem the Series 1 Class C LP Units held by CTC, to pay down certain amounts then outstanding under the Bank Credit Facility, and the balance of the proceeds was retained for general business purposes.

For the three months and year ended December 31, 2015, amortization of the transaction costs of \$56 and \$131 (Q4 2014 - \$nil and 2014 - \$nil) is included in interest and other financing charges on the consolidated statement of income and comprehensive income (see Note 19).

The Debentures have been rated "BBB+" by S&P and "BBB (high)" by DBRS. The Debentures are direct senior unsecured obligations of CT REIT.

5.7 Mortgages Payable

Mortgages payable, secured by certain of CT REIT's investment properties, include the following:

(in thousands of Canadian dollars)					
As at	December 31, 2015		December 31, 2014		
	Face value	Carrying amount	Face value	Carrying amount	
Current	\$ 4,074	\$ 4,176	\$ 1,158	\$ 1,275	
Non-current	55,949	55,953	57,148	57,219	
Total	\$ 60,023	\$ 60,129	\$ 58,306	\$ 58,494	

During the third quarter 2015, the REIT assumed a mortgage payable, due in May 2016, totaling \$2,955 with an annual interest rate of 2.50%.

5.8 Bank Credit Facility

The Partnership has a \$200,000, revolving Bank Credit Facility with an option to request an increase of an additional \$100,000. The Bank Credit Facility is available to the Partnership until July 2020. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A stand-by fee is charged on the Bank Credit Facility.

As at December 31, 2015, there were no cash advances under the Bank Credit Facility (December 31, 2014 - \$78,000). The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$283 (December 31, 2014 - \$434) is recorded in other assets on the condensed consolidated balance sheets.

The table below summarizes the details of the Bank Credit Facility as at December 31, 2015:

(in thousands of Canadian dollars)			
Bank Credit Facility Maximum Loan Amount	Cash Advances	Letters of Credit	Available to be Drawn
\$ 200,000	—	311	\$ 199,689

The following section contains forward-looking information and users are cautioned that actual results may vary.

5.9 Capital Strategy

Management expects the REIT's future debt will be in the form of:

- Class C LP Units (treated as debt for accounting purposes);
- funds drawn on the Bank Credit Facility;
- unsecured public debt; and
- limited use of secured debt assumed upon acquisition of properties.

Management's objectives are to access the lowest cost of capital with the most flexible terms, to have a maturity/redemption schedule (for fixed term obligations) spread over a time horizon so as to manage refinancing risk and to be in a position to finance acquisition opportunities when they become available. The Declaration of Trust and the Trust Indenture limit the REIT's overall indebtedness ratio to 60% of total aggregate assets, excluding convertible debentures, and 65% including convertible debentures.

CT REIT's indebtedness ratio was 48.2% as at December 31, 2015. Refer to section 9.0 for the definition and calculation of CT REIT's indebtedness ratio.

At December 31, 2015, CT REIT was in compliance with the financial and non-financial covenants contained in the Declaration of Trust, and the Trust Indenture dated June 9, 2015 pursuant to which the Debentures were issued, the Bank Credit Facility agreement and the mortgages payable agreements.

CT REIT has also adopted interest coverage guidelines which provide an indication of the REIT's ability to service or pay the interest charges relating to the underlying debt.

CT REIT will generally operate its affairs and manage its capital structure so that its interest coverage ratio is in a range of 2.4 to 3.8 times. For the three months ended December 31, 2015, CT REIT's interest coverage ratio was 3.3 times. Refer to section 9.0 for the definition and calculation of CT REIT's interest coverage ratio.

Assuming a future economic environment that is substantially similar to the current environment, management does not foresee any material impediments to refinancing future debt maturities.

The following section contains forward-looking information and users are cautioned that actual results may vary.

5.10 Commitments and Contingencies

As at December 31, 2015, CT REIT has obligations for approximately \$63,070 (December 31, 2014 - \$18,530) in future payments for the committed acquisitions and the completion of developments which are expected to be incurred in 2016. Included in the commitments are \$58,208 due to CTC.

CT REIT has sufficient liquidity to fund these future commitments as a result of (i) its conservative use of leverage on the balance sheet, (ii) liquidity on hand, (iii) its Bank Credit Facility, (iv) an investment grade credit rating, (v) unencumbered assets, and (vi) sufficient operating cash flow retained in the business.

5.11 Subsequent Events

The Initial Fixed Rate Period of the Series 2 Class C LP Units expires on May 31, 2016. CT REIT has delivered a notice of redemption to CTC, the holder of such Class C LP Units. As a result, this series of Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2016.

During February 2016, CT REIT completed three investment property acquisitions from CTC. The total purchase price of approximately \$45,450 was fully satisfied by issuances of Class B and Class C LP Units.

5.12 Base Shelf Prospectus

CT REIT filed a base shelf prospectus in Q1 2015 under which it may raise up to \$1.5 billion of debt and equity capital over the 25 month period ending April 4, 2017. In Q2 2015, the REIT issued \$350,000 of senior unsecured debentures payable. The shelf also qualifies the sale of CT REIT Units by CTC.

6.0 Equity

6.1 Authorized Capital and Outstanding Units

CT REIT is authorized to issue an unlimited number of Units. As of December 31, 2015, CT REIT had a total of 90,337,358 Units outstanding, 59,711,094 of which were held by CTC and 99,263,329 Class B LP Units outstanding (together with a corresponding number of Special Voting Units), all of which were held by CTC.

Class B LP Units are economically equivalent to Units, are accompanied by a Special Voting Unit and are exchangeable at the option of the holder for Units (subject to certain conditions). Holders of the Class B LP Units are entitled to receive distributions when declared by the Partnership equal to the per Unit amount of distributions payable on the Units. However, Class B LP Units have limited voting rights over the Partnership.

The following tables summarize the total number of Units issued:

As at December 31, 2015			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,188,210	91,297,572	181,485,782
Issued	149,148	7,965,757	8,114,905
Total outstanding at end of year	90,337,358	99,263,329	189,600,687

As at December 31, 2014			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,026,773	89,559,871	179,586,644
Issued	161,437	1,737,701	1,899,138
Total outstanding at end of year	90,188,210	91,297,572	181,485,782

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT. Each Unit entitles the holder to one vote at all meetings of Unitholders.

Special Voting Units are only issued in tandem with Class B LP Units, or in limited circumstances, to holders of the Class C LP Units and are not transferable separately from the Class B LP Units or Class C LP Units to which they relate. Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any written resolution of Unitholders. Except for the right to attend meetings and vote on resolutions, Special Voting Units do not confer upon the holders thereof any other rights.

Net income attributable to Unitholders and weighted average Units outstanding used in determining basic and diluted net income per Unit are calculated as follows:

Year ended December 31, 2015			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 112,775	\$ 121,705	\$ 234,480
Income effect of settling Class C LP Units with Class B LP Units			78,318
Net income attributable to Unitholders - diluted			\$ 312,798
Weighted average Units outstanding - basic	90,262,679	97,249,251	187,511,930
Dilutive effect of other Unit plans			95,239
Dilutive effect of settling Class C LP Units with Class B LP Units			134,122,540
Weighted average Units outstanding - diluted			321,729,709

Year ended December 31, 2014			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 159,282	\$ 158,979	\$ 318,261
Income effect of settling Class C LP Units with Class B LP Units			81,643
Net income attributable to Unitholders - diluted			\$ 399,904
Weighted average Units outstanding - basic	90,110,919	90,488,232	180,599,151
Dilutive effect of other Unit plans			44,485
Dilutive effect of settling Class C LP Units with Class B LP Units			151,702,425
Weighted average Units outstanding - diluted			332,346,061

The calculation of diluted per Unit amounts is determined on a combined basis for the Units and the Class B LP Units given that the Class B LP Units are exchangeable into Units on a one for one basis and are entitled to an equivalent amount of net income per Class B LP Unit as the Units, and to reflect the dilutive effect of potentially settling Class C LP Units with Class B LP Units.

6.2 Equity

(in thousands of Canadian dollars)			
As at	December 31, 2015	December 31, 2014	
Equity - beginning of the year	\$ 2,002,189	\$ 1,780,386	
Net income and comprehensive income for the year	234,480	318,261	
Issuance of Class B LP Units, net of issue costs	99,661	19,406	
Distributions to non-controlling interests	(64,813)	(58,971)	
Distributions to Unitholders	(59,976)	(58,674)	
Issuance of Units under Distribution Reinvestment Plan	1,822	1,781	
Equity - end of the year	\$ 2,213,363	\$ 2,002,189	

6.3 Distributions

CT REIT's primary business goal is to accumulate a portfolio of high-quality real estate assets and deliver the benefits of such real estate ownership to Unitholders. The primary benefit to Unitholders is expected to be reliable, durable and growing distributions over time.

In determining the amount of the monthly distributions paid to Unitholders, the Board applies discretionary judgment to forward-looking cash flow information, such as forecasts and budgets, and many other factors including provisions in the Declaration of Trust, the macro-economic and industry-specific environment, debt maturities, covenants and taxable income.

The Board regularly reviews CT REIT's rate of distributions to ensure an appropriate level of distributions.

On November, 9, 2015, the Board approved an increase in the annual rate of distribution to \$0.68 per Unit per year, commencing with the December 31, 2015 record date.

On December 15, 2015, CT REIT's Board declared a distribution of \$0.05667 per Unit paid on January 15, 2016 to holders of Units and Class B LP Units of record as of December 31, 2015.

On January 15, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit payable on February 16, 2016 to holders of Units and Class B LP Units of record as of January 31, 2016.

On February 16, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit payable on March 15, 2016 to holders of Units and Class B LP Units of record as of February 29, 2016.

Net income prepared in accordance with IFRS recognizes certain revenues and expenses at time intervals that do not match the receipt or payment of cash. Therefore, in applying judgment, consideration is given to AFFO (which is the product of the cash generated from, and required for, financing and operating activities) and other factors when establishing distributions to Unitholders.

(in thousands of Canadian dollars, except per Unit amounts)		Year Ended	
For the periods ended December 31,		2015	2014
Distributions before distribution reinvestment - paid	\$	124,072	\$ 117,346
Distribution reinvestment		1,822	1,781
Distributions net of distribution reinvestment - paid	\$	122,250	\$ 115,565
Distributions per Unit - paid	\$	0.663	\$ 0.650

Distributions for the year ended December 31, 2015 are higher than the prior year due to the increase in the annual rate of distributions, effective with the first distribution paid in 2015, and higher weighted average number of Units outstanding in 2015.

CT REIT's distributions for the year ended December 31, 2015 are less than the REIT's cash generated from operating activities, cash generated from operating activities reduced by interest expense, and less than AFFO which is an indicator of the source of funding for and sustainability of distributions.

(in thousands of Canadian dollars)		Year Ended	
For the periods ended December 31,		2015	2014
AFFO ¹	\$	151,660	\$ 132,866
Distributions before distribution reinvestment - paid	\$	124,072	\$ 117,346
Excess of AFFO over distributions paid	\$	27,588	\$ 15,520

¹ Non-GAAP key performance indicator. Refer to section 9.0 for further information.

7.0 Related Party Transactions

Related Party Transactions

CT REIT's controlling Unitholder is CTC, which, on December 31, 2015, held an approximate 83.8% effective interest in the REIT, through ownership of 59,711,094 Units and all of the issued and outstanding Class B LP Units.

In addition to its ownership interest, CTC is CT REIT's largest tenant representing approximately 96.7% of the annualized base minimum rent earned by CT REIT and approximately 98.0% of its GLA as at December 31, 2015.

In the normal course of its operations, CT REIT enters into various transactions with related parties that have been valued at amounts agreed to between the parties and recognized in the consolidated financial statements. Investment property transactions with CTC amounted to \$39,070 (Q4 2014 - \$31,880) for the three months ended December 31, 2015 and \$210,638 (YTD 2014 - \$130,102) for the year ended December 31, 2015. Refer to Note 4 to the consolidated financial statements for additional information.

CT REIT and CTC are parties to a number of commercial agreements which govern the relationships among such parties, including the Service Agreement and the Property Management Agreement which are described below.

Services Agreement

Under the Services Agreement, CTC provides the REIT with certain administrative, legal, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the "Services"). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. There was a fixed maximum fee not to exceed \$3,334 for the year ended December 31, 2015. The Services Agreement's initial term ended on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement has been renewed for 2016, and CTC will provide such Services on a cost recovery basis.

Property Management Agreement

Under the Property Management Agreement, CTC provides the REIT with customary property management services (the "Property Management Services"). CTC agreed to provide Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. There was a fixed maximum fee not to exceed \$2,336 for the year ended December 31, 2015. The Property Management Agreement's initial term ended on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated. The Property Management Agreement has been renewed for 2016, and CTC will provide such Services on a cost recovery basis.

Refer to CT REIT's 2015 Annual Information Form available on SEDAR at www.sedar.com for additional information on related party agreements and arrangements with CTC.

CT REIT's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. The following table summarizes CT REIT's related party transactions as at December 31, 2015:

(in thousands of Canadian dollars) For the periods ended December 31,	Year Ended	
	2015	2014
Rental revenue	\$ 361,873	\$ 332,212
Property Management and Services Agreement expense	5,670	5,621
Distributions on Units	39,673	38,877
Distributions on Class B LP Units	64,813	58,971
Interest expense on Class C LP Units	78,318	81,643

The net balance due to CTC is comprised of the following:

(in thousands of Canadian dollars)		
As at	December 31, 2015	December 31, 2014
Tenant and other receivables	\$ (893)	\$ (8,505)
Class C LP Units	1,686,968	1,847,279
Amounts payable on Class C LP Units	75,093	75,263
Loans receivable in lieu of payments on Class C LP Units	(68,805)	(68,425)
Other liabilities	4,396	6,023
Distributions payable on Units and Class B LP Units	11,115	8,908
Loans receivable in lieu of distributions on Class B LP Units	(2,106)	(565)
Net due to CTC	\$ 1,705,768	\$ 1,859,978

8.0 Accounting Policies and Estimates

8.1 Significant Areas of Estimation

The preparation of the consolidated financial statements requires management to apply judgments, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. CT REIT's critical judgments in applying significant accounting policies are described in Note 2 of the consolidated financial statements, the most significant of which is the fair value of investment properties.

Fair Value of Investment Properties

To determine fair value, CT REIT uses the income approach. Fair value is estimated by capitalizing the cash flows that a property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate ("OCR") method, whereby the net operating income is capitalized at the requisite OCR, or the discounted cash flow ("DCF") method, in which the cash flows are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate.

Properties under development are recorded at cost and are adjusted to fair value at each balance sheet date with the fair value adjustment recognized in earnings.

8.2 New Standards Implemented

There were no new standards implemented for the year ended December 31, 2015.

8.3 Standards, Amendments and Interpretations Issued and Not Yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2015, and, accordingly, have not been applied in preparing these consolidated financial statements.

Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement - Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income instead of Net Income, unless this would create an accounting mismatch.

Impairment - The measurement of impairment of financial assets is based on an expected credit loss model. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”), which replaces IAS 11 – *Construction Contracts*, IAS 18 – *Revenue* and IFRIC 13 – *Customer Loyalty Programmes* (“IFRIC 13”), as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

Disclosure Initiative

In December 2014, the IASB issued *Disclosure Initiative – Amendments to IAS 1* as part of the IASB’s Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosures and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. The implementation of these amendments will not have a significant impact on CT REIT.

In January 2016, the IASB issued *Disclosure Initiative Amendments to IAS 7* also as part of the IASB’s Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. CT REIT is currently assessing the potential impact of these amendments.

Leases

In January 2016, the IASB issued IFRS 16 - *Leases* (“IFRS 16”), which replaces IAS 17 - *Leases* (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. CT REIT is assessing the potential impact of this standard.

Income Taxes

In January 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealised Losses* as an amendment to IAS 12 - *Income Taxes*. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. CT REIT is currently assessing the potential impact of these amendments.

9.0 Non-GAAP and Operational Key Performance Indicators

CT REIT uses non-GAAP key performance indicators including NOI, same store NOI, same property NOI, FFO, FFO per Unit, AFFO, AFFO per Unit, EBITFV, interest coverage ratio, indebtedness ratio, debt to enterprise value ratio and book value per Unit. CT REIT believes these non-GAAP measures and ratios provide useful supplemental information to both management and investors in measuring the financial performance of CT REIT in meeting its principle objective of the creation of Unitholder value by generating reliable, durable and growing monthly distributions. When calculating diluted FFO and AFFO per Unit, management excludes the effect of settling the Class C LP Units with Class B LP Units, which is required when calculating diluted Units in accordance with IFRS.

These measures and ratios do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures and ratios presented by other publicly traded entities, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

9.1 Net Operating Income

CT REIT defines NOI as property revenue less property expense and is adjusted further for straight-line rent and land lease adjustments. Management believes that NOI is a useful key indicator of performance as it represents a measure over which management of property operations has control. NOI is also a key input in determining the value of the portfolio. Refer to section 4.0 for the calculation of NOI.

9.1.1 Same Store NOI

Same store NOI is a non-GAAP financial measure which reports the period-over-period performance of the same asset base having consistent gross leaseable area in both periods. To calculate same store NOI growth, NOI is further adjusted to remove the impact of lease cancellation fees and other non-recurring items. Refer to section 4.0 for the calculation of same store NOI.

9.1.2 Same Property NOI

Same property NOI is a non-GAAP financial measure that is consistent with the definition of same store NOI above, except that same property includes the NOI impact of intensifications. Refer to section 4.0 for the calculation of same property NOI.

9.2 Funds From Operations

FFO is a non-GAAP financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS. CT REIT calculates its FFO in accordance with the Real Property Association of Canada White Paper on FFO for IFRS issued in April 2014. The purpose of the White Paper was to provide reporting issuers and investors with greater guidance on the definition of FFO and to help promote more consistent disclosure amongst reporting issuers. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of CT REIT.

Management believes that FFO provides an operating performance measure that, when compared period-over-period, reflects the impact on operations of trends in occupancy levels, rental rates, operating costs and property taxes, acquisition activities and interest costs, and provides a perspective of the financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments.

FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for the recurring capital expenditures necessary to sustain the existing earnings stream.

9.3 Adjusted Funds From Operations

AFFO is a supplemental measure of operating performance widely used in the real estate industry to assess an entity's ability to pay distributions. Management believes that AFFO is an effective measure of the cash generated from operations, after providing for operating capital requirements which are referred to as "productive capacity maintenance expenditures".

CT REIT calculates AFFO by adjusting FFO for non-cash income and expense items such as amortization of straight-line rents. FFO is also adjusted for a reserve for maintaining productive capacity required for sustaining property infrastructure and revenue from real estate properties and direct leasing costs. Property capital expenditures do not occur evenly during the fiscal year or from year to year. The property capital reserve in the AFFO calculation is intended to reflect an average annual spending level. The reserve is based on a 15-year average expenditure as determined by building condition reports prepared during 2013 by an independent consultant. The amount is also consistent with actual average amounts spent by CTC prior to October 2013.

There is currently no standard industry-defined measure of AFFO. As such, CT REIT's method of calculating AFFO may differ from that of other real estate entities and, accordingly, may not be comparable to such amounts reported by other issuers.

A reconciliation of the IFRS term "Cash Generated from Operating Activities" (refer to the consolidated statements of cash flow for the year ended December 31, 2015) to AFFO is as follows:

(in thousands of Canadian dollars)		Year Ended		
For the periods ended December 31,		2015	2014	Change
Cash generated from operating activities	\$	265,400	\$ 233,789	13.5 %
Changes in working capital and other		(9,470)	(2,224)	325.8 %
Deferred taxes		64	(527)	(112.1)%
Fair value adjustment of unit based compensation		77	285	(73.0)%
Interest and other financing charges		(87,334)	(82,991)	5.2 %
Normalized capital expenditure reserve		(17,077)	(15,466)	10.4 %
AFFO	\$	151,660	\$ 132,866	14.1 %

The following table reconciles GAAP net income and comprehensive income to FFO and further reconciles FFO to AFFO:

(in thousands of Canadian dollars, except per unit amounts)							
For the periods ended December 31,	Three Months Ended			Year Ended			
	2015	2014	Change	2015	2014	Change ³	
Net income and comprehensive income	\$ 62,824	\$ 53,711	17.0 %	\$ 234,480	\$ 318,261	(26.3)%	
Fair value adjustment of investment property	(12,731)	(7,305)	74.3 %	(39,910)	(141,221)	(71.7)%	
Deferred taxes	(88)	(163)	(46.0)%	64	(527)	(112.1)%	
Fair value adjustment of unit based compensation	22	285	(92.3)%	77	285	(73.0)%	
Funds from operations	\$ 50,027	\$ 46,528	7.5 %	\$ 194,711	\$ 176,798	10.1 %	
Properties straight-line rent	(6,702)	(7,843)	(14.5)%	(26,131)	(28,685)	(8.9)%	
Straight-line land lease expense	22	84	(73.8)%	157	219	(28.3)%	
Normalized capital expenditure reserve	(4,352)	(4,112)	5.8 %	(17,077)	(15,466)	10.4 %	
Adjusted funds from operations	\$ 38,995	\$ 34,657	12.5 %	\$ 151,660	\$ 132,866	14.1 %	
FFO per Unit - basic	\$ 0.264	\$ 0.256	3.1 %	\$ 1.038	\$ 0.979	6.0 %	
FFO per Unit - diluted (non-GAAP) ¹	\$ 0.264	\$ 0.256	3.1 %	\$ 1.038	\$ 0.979	6.0 %	
AFFO per Unit - basic	\$ 0.206	\$ 0.191	7.9 %	\$ 0.809	\$ 0.736	9.9 %	
AFFO per Unit - diluted (non-GAAP) ¹	\$ 0.206	\$ 0.191	7.9 %	\$ 0.808	\$ 0.736	9.8 %	
AFFO payout ratio ²	81%	85%	(4.7)%	82%	88%	(6.8)%	
Distribution per Unit - paid	\$ 0.166	\$ 0.163	2.0 %	\$ 0.663	\$ 0.650	2.0 %	
Weighted average units outstanding - basic	189,582,380	181,468,432	4.5 %	187,511,930	180,599,151	3.8 %	
Weighted average units outstanding - diluted (non-GAAP) ¹	189,674,625	181,524,387	4.5 %	187,607,169	180,643,636	3.9 %	
Number of units outstanding, end of period	189,600,687	181,485,782	4.5 %	189,600,687	181,485,782	4.5 %	

¹ For the purposes of calculating diluted FFO and AFFO per Unit, diluted Units includes restricted and deferred units issued under various plans and excludes the effects of settling the Class C LP Units with Class B LP Units.

² Calculated as Distributions per Unit divided by AFFO per Unit - diluted (non-GAAP).

FFO for the three months ended December 31, 2015 amounted to \$50,027 or \$0.264 per Unit (diluted non-GAAP) and was \$3,499 (7.5%) higher than the same period in 2014 largely due to the impact of NOI variances discussed earlier.

FFO for the year ended December 31, 2015 amounted to \$194,711 or \$1.038 per Unit (diluted non-GAAP) and was \$17,913 (10.1%) higher than the same period in 2014 largely due to the impact of NOI variances discussed earlier.

AFFO for the three months ended December 31, 2015 amounted to \$38,995 or \$0.206 per Unit (diluted non-GAAP) and was \$4,338 (12.5%) higher than the same period in 2014 largely due to the impact of NOI variances discussed earlier.

AFFO for the year ended December 31, 2015 amounted to \$151,660 or \$0.808 per Unit (diluted non-GAAP) and was \$18,794 (14.1%) higher than the same period in 2014 largely due to the impact of NOI variances discussed earlier.

9.4 Earnings Before Interest and Other Financing Costs, Taxes and Fair Value Adjustments

EBITFV is a non-GAAP measure of a REIT's operating cash flow and it is used in addition to IFRS net income because it excludes major non-cash items (including fair value adjustments on investment properties), interest expense and other financing costs, income tax expense, losses or gains on disposition of property, and other non-recurring items that may occur under IFRS that management considers non-operating in nature. EBITFV should not be considered as an alternative to net income or cash flows provided by operating activities determined in accordance with IFRS.

EBITFV is used as an input in some of CT REIT's debt metrics, providing information with respect to certain financial ratios that CT REIT uses in measuring its debt profile and assessing the REIT's ability to satisfy its obligations, including servicing its debt. For the three months and year ended December 31, 2015, EBITFV was calculated as follows:

(in thousands of Canadian dollars)	Three Months Ended			Year Ended		
For the periods ended December 31,	2015	2014	Change	2015	2014	Change
Net Income and comprehensive income	\$ 62,824	\$ 53,711	17.0%	\$ 234,480	\$ 318,261	(26.3)%
Fair value adjustment on investment properties	(12,731)	(7,305)	74.3%	(39,910)	(141,221)	(71.7)%
Interest expense and other financing charges	22,132	21,293	3.9%	87,334	82,991	5.2 %
EBITFV	\$ 72,225	\$ 67,699	6.7%	\$ 281,904	\$ 260,031	8.4 %

9.5 Interest Coverage Ratio

Interest coverage ratios are used to measure an entity's ability to service its debt. Generally, the higher the ratio is, the lower the risk of default on debt. EBITFV is a generally accepted proxy for operating cash flow. The ratio is calculated as follows:

(in thousands of Canadian dollars)	Three Months Ended		Year Ended	
For the periods ended December 31,	2015	2014	2015	2014
EBITFV (A)	\$ 72,225	\$ 67,699	\$ 281,904	\$ 260,031
Interest and other financing charges (B)	\$ 22,132	\$ 21,293	\$ 87,334	\$ 82,991
Interest coverage ratio (A)/(B)	3.26	3.18	3.23	3.13

The interest coverage ratio for the year ended December 31, 2015 increased compared to the same period in the prior year due to higher EBITFV in 2015 partially offset by increased interest and other financing charges. Both EBITFV and interest and other financing charges increased due to acquisition and intensification activities completed during 2015 and 2014.

9.6 Indebtedness Ratio

CT REIT has adopted an indebtedness ratio guideline which management uses as a measure to evaluate its leverage and the strength of its equity position, expressed as a percentage of financing provided by debt. CT REIT's Declaration of Trust limits its indebtedness (plus the aggregate par value of the Class C LP Units) to a maximum of 60% of the gross book value, excluding convertible debentures, and 65% including convertible debentures. Gross book value is defined as total assets as reported on the latest consolidated balance sheet. CT REIT calculates its indebtedness ratio as follows:

(in thousands of Canadian dollars)	December 31, 2015		December 31, 2014	
As at				
Total assets (A)	\$	4,350,903	\$	4,017,420
Total indebtedness ¹ (B)	\$	2,095,045	\$	1,983,773
Indebtedness ratio (B)/(A)	48.2%		49.4%	

¹ Total indebtedness reflects the value of the Class C LP Units, mortgages payable, debentures payable and draws on the Bank Credit Facility, if any.

The indebtedness ratio at December 31, 2015 has decreased compared to the indebtedness ratio at December 31, 2014 primarily due to the 2015 fair value adjustments made to the investment property portfolio and the 2015 investing activities, partially offset by an increase in indebtedness during 2015.

9.7 Debt to Enterprise Value Ratio

CT REIT's debt to enterprise value ratio is a non-GAAP measure and is calculated as total debt divided by enterprise value which is the sum of: i) total debt and ii) period-end Units and Class B LP Units outstanding multiplied by the period end Unit closing price ("Equity Value"). Enterprise value is an economic measure reflecting the market value of an entity. CT REIT's debt to enterprise value ratio is an indicator of how indebted it is relative to its enterprise value.

(in thousands of Canadian dollars, except for per Unit amounts)		
As at	December 31, 2015	December 31, 2014
Total indebtedness (A)	\$ 2,095,045	\$ 1,983,773
Equity value		
Period-end Units and Class B LP Units outstanding	189,600,687	181,485,782
Unit closing price	\$ 13.00	\$ 12.31
Equity value (B)	\$ 2,464,809	\$ 2,234,090
Enterprise value (A + B)	\$ 4,559,854	\$ 4,217,863
Debt / Enterprise value (A / (A + B))	45.9%	47.0%

CT REIT's debt to enterprise value ratio at December 31, 2015 decreased compared to the debt to enterprise value ratio at December 31, 2014 as a result of an increased closing Unit price and an increase in equity value due to additional Units and Class B LP Units issued, partially offset by an increase in indebtedness.

9.8 Book Value per Unit

Book value per Unit is a non-GAAP measure and represents Total Equity from the consolidated balance sheets divided by the sum of the period end Units and Class B LP Units outstanding. It is an indication of the residual book value available to Unitholders. As well, book value per Unit is compared to the REIT's Unit trading price in order to measure a premium or discount.

(in thousands of Canadian dollars, except for per Unit amounts)		
As at	December 31, 2015	December 31, 2014
Total Equity (A)	\$ 2,213,363	\$ 2,002,189
Period-end Units and Class B LP Units outstanding (B)	189,600,687	181,485,782
Book value per Unit (A / B)	\$ 11.67	\$ 11.03

CT REIT's book value per Unit at December 31, 2015 increased from the book value per Unit at December 31, 2014 primarily due to net income exceeding distributions.

9.9 Selected Quarterly Consolidated Information

(in thousands of Canadian dollars, except per Unit amounts) As at and for the quarter ended	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Property revenue	\$ 96,599	\$ 95,916	\$ 93,217	\$ 92,448	\$ 89,212	\$ 89,535	\$ 83,364	\$ 82,680
Net income	\$ 62,824	\$ 58,885	\$ 57,205	\$ 55,566	\$ 53,711	\$ 49,197	\$ 45,689	\$ 169,664
Net income per Unit								
- basic	\$ 0.331	\$ 0.311	\$ 0.306	\$ 0.302	\$ 0.296	\$ 0.271	\$ 0.254	\$ 0.944
- diluted	\$ 0.257	\$ 0.242	\$ 0.233	\$ 0.226	\$ 0.222	\$ 0.202	\$ 0.200	\$ 0.550
FFO - diluted, non-GAAP ¹	\$ 0.264	\$ 0.260	\$ 0.256	\$ 0.258	\$ 0.256	\$ 0.247	\$ 0.238	\$ 0.238
AFFO - diluted, non-GAAP ¹	\$ 0.206	\$ 0.203	\$ 0.199	\$ 0.200	\$ 0.191	\$ 0.185	\$ 0.179	\$ 0.180
Total assets ²	\$ 4,350,903	\$ 4,324,229	\$ 4,291,153	\$ 4,113,322	\$ 4,017,420	\$ 3,974,736	\$ 3,842,218	\$ 3,757,682
Total indebtedness	\$ 2,095,045	\$ 2,078,826	\$ 2,071,737	\$ 1,984,131	\$ 1,983,773	\$ 1,950,346	\$ 1,847,279	\$ 1,807,130
Total distributions to Unitholders - paid	\$ 30,947	\$ 30,946	\$ 30,450	\$ 29,907	\$ 29,078	\$ 29,081	\$ 28,576	\$ 28,830
Total distributions to Unitholders per Unit - paid	\$ 0.166	\$ 0.166	\$ 0.166	\$ 0.166	\$ 0.163	\$ 0.162	\$ 0.163	\$ 0.162
Book value per Unit ¹	\$ 11.67	\$ 11.51	\$ 11.36	\$ 11.21	\$ 11.03	\$ 10.90	\$ 10.79	\$ 10.70
Market price per Unit								
- high	\$ 13.45	\$ 13.40	\$ 12.96	\$ 13.50	\$ 12.55	\$ 11.96	\$ 11.63	\$ 11.58
- low	\$ 12.50	\$ 11.26	\$ 11.75	\$ 11.70	\$ 10.50	\$ 11.00	\$ 10.81	\$ 10.61
- close (end of period)	\$ 13.00	\$ 12.86	\$ 12.10	\$ 12.90	\$ 12.31	\$ 11.02	\$ 11.40	\$ 11.16

¹ Non-GAAP key performance indicators. Refer to section 9.0 for further information.

² Prior year figures have been restated. Refer to note 25 of the annual consolidated financial statements contained in CT REIT's 2014 Annual Report.

Refer to the applicable MD&A and the quarterly financial statements for discussion and analysis relating to the first three quarters of 2015 and the four quarters in 2014.

10.0 Enterprise Risk Management

Enterprise Risk Management

To preserve and enhance Unitholder value over the long term, CT REIT approaches the management of risk strategically through its ERM Program. The ERM Program provides an integrated approach to the management of risks, through a disciplined manner that:

- aligns key strategies, objectives and related risks;
- considers all forms of risk, specifically strategic, financial and operational risks;
- requires the evaluation of risk mitigation practices which are designed to help support and optimize risk/reward related decisions; and
- integrates with the strategic, planning and reporting processes.

The REIT's ERM Program continues to further enhance risk reporting through developing and refining underlying processes and tools aimed at supporting risk identification and risk monitoring.

Risk Governance

The mandate of the Board includes the responsibility to monitor the REIT's ERM Program and oversee management's implementation of appropriate systems to effectively identify, monitor, manage, and mitigate the impact of risks inherent in the REIT's business and operations. The Board has delegated primary responsibility to the Audit Committee to:

- consider the Principal Risks of the REIT as identified by management and ensure appropriate policies and systems have been implemented to manage these risks;
- review the REIT's ERM Program, including its policies and processes with respect to risk identification, assessment, and management of the REIT's risks;
- receive periodic reports from the head of the risk management function; and
- periodically report to the Board on any major issues arising from the ERM Program.

The following section contains forward-looking information and users are cautioned that actual results may vary.

Principal Risks

A key element of the REIT's ERM Program is the periodic review, identification and assessment of Principal Risks. The REIT defines a Principal Risk as one that, alone or in combination with other interrelated risks, can have a significant adverse impact on the REIT's financial position, and/or ability to achieve its strategic objectives and has, in the absence of controls, a credible probability of occurring. These Principal Risks are enterprise-wide in scope and represent strategic, financial and operational risks. Management has completed its formal annual review of its Principal Risks, which has been presented to the Audit Committee and approved by the Board of Trustees. The mitigation and management of Principal Risks is approached holistically with a view to ensuring all risk exposures associated with a Principal Risk are considered.

The following table provides a high-level perspective on each of the identified eight Principal Risks and describes the main strategy that the REIT has in place to mitigate the potential impacts of these risks on its business objectives. More information on the REIT's risk factors is presented in the REIT's AIF.

Principal Risks**Risk Management Strategy**

<i>Marketplace</i> Risk due to fluctuations or fundamental changes in the external business environment resulting in financial loss. Fluctuations or fundamental shifts in the market place could include: <ul style="list-style-type: none">- Changes in macroeconomic conditions (including recession, depression, high inflation, increased unemployment, and increased interest rates) resulting in a reduction in consumer spending;- Changes in the competitive landscape in the retail or real estate sectors impacting the attractiveness and the value of real estate holdings;- Changes in the domestic or international political environments (including new legislation) impacting the ability to do business; and- Shifts in the demographics of the Canadian population reducing the relevance of the products and services offered by key tenants, which may result in a negative impact on the valuation of the REIT or the ability to achieve its strategic objectives.	The REIT regularly monitors and analyzes external economic, political, demographic, consumer behaviour and competitive developments in Canada. Results are shared with the REIT executives, who are accountable for any necessary amendments to the strategic and operational plans and for on-going investment decisions in order to respond to evolving market and economic trends.
<i>Interest Rate</i> Risk associated with fundamental changes with CTC businesses, the economic environment, or significant events or volatility in the financial markets resulting in changes in interest rates that affect: the value of real estate, the value of the REIT's Units, the economics of acquisition activity and the availability of capital; resulting in financial loss and resulting in a decrease in or the elimination of distributions to Unitholders.	The indebtedness and Class C LP Units of the REIT are predominantly at fixed rates and its floating interest rate exposure is minimal. The weighted average term to redemption/maturity of the REIT's debt portfolio is managed to align with or be greater than the weighted average term to maturity of the REIT's assets. The REIT manages refinancing risk by maintaining a diversified debt redeeming/maturity schedule to limit the amount of debt maturing in any one year. The REIT may use interest rate hedges from time to time to manage interest rate risk and to provide more certainty regarding the FFO available to Unitholders, subject to the REIT's investment guidelines and operating policies.
<i>Tenant Concentration</i> The REIT's revenues are dependent on the ability of its key tenant, CTC, to meet its rent obligations and renew its tenancies. The future financial performance and operating results of CTC's business are subject to inherent risks and uncertainties, such as general economic conditions, changing consumer preferences, and other strategic, financial, and operational risk factors. A downturn in CTC's business could have a material effect on the financial performance of the REIT, its cash flows, and the ability to make distributions to Unitholders.	The REIT benefits from the stability offered by CTC businesses including Canadian Tire retail, one of Canada's most shopped general merchandise retailers with high recognition and a strong reputation throughout the communities it serves. The Canadian Tire retail leases have a weighted average remaining lease term of 13.6 years, which provides the REIT with reliable, durable, and growing monthly distributions. Management regularly monitors the operating results and credit ratings of CTC.

Principal Risks**Risk Management Strategy**

Significant Ownership by CTC CTC holds the majority interest in the REIT. In situations where the interests of CTC and the REIT are in conflict, CTC may utilize its ownership interest in, and contractual rights with the REIT, to further CTC's own interest which may not be the same as the REIT's interest in all cases, causing the REIT not to be able to operate in a manner that is to its favour, which could adversely affect the REIT's cash flows, operating results, valuation, and overall financial condition.	Appropriate governance structures, including policies, processes and other management activities and practices are in place to maintain and monitor the relationship between the REIT and CTC.
Operations The risk that a direct or indirect loss may result from internal or outsourced business activities, business disruptions, inadequate or failed operations processes (property management, development, redevelopment, and acquisitions), people, and systems to support the REIT's key business objectives. Failed processes in terms of design, integration, and/or execution may result in incremental financial expenditures, theft or fraud, legal or regulatory issues, and materially adversely impact the REIT's financial position and results of operation.	The REIT has appropriate governance structures, including policies, processes, contracts, service agreements and other management activities in place to maintain the operational performance of the REIT, comply with legal and regulatory requirements, and to support the REIT's business and strategic objectives.
Tax Risk related to changes in income tax laws applicable to the REIT such that the REIT would not qualify as a mutual fund trust for purposes of the Tax Act, including the treatment of real estate investment trusts, mutual fund trusts, or the REIT Exception for a taxation year under the Tax Act, which could have a material and adverse impact on the value of the Units, and on distributions to Unitholders.	Management of the REIT ensures that the REIT satisfies the conditions to qualify as a closed-end mutual fund trust by complying with the restrictions in the Tax Act as they are interpreted and applied by the Canada Revenue Agency. No assurance can be given that the REIT will be able to comply with these restrictions at all times. There can be no assurance that income tax laws applicable to the REIT, including the treatment of real estate investment trusts and mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the REIT or the Unitholders.

Principal Risks**Risk Management Strategy**

<p><i>Environmental Matters</i></p> <p>The REIT is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Changes in legislation may result in the REIT bearing the risk of cost-intensive assessment, removal of contamination, hazardous or other regulated substances causing an adverse effect on the REIT's financial condition, results of operation, and cash available for distribution to Unitholders.</p>	<p>The REIT has allocated the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues. Additionally, the REIT has limited environmental liability coverage under its general liability insurance policy for third-party bodily injury and property damage claims arising from unexpected and unintentional pollution incidents (commonly referred to as "sudden and accidental" coverage) that are discovered and reported quickly. It also has more extensive coverage under a separate environmental liability insurance policy which adds coverage for certain gradual pollution conditions and first party clean ups. Pursuant to the Canadian Tire Leases, CTC has indemnified the REIT for any environmental issues existing on the initial properties. Furthermore, the REIT's operating policy includes a Phase I environmental site assessment conducted by an independent and experienced environmental consultant prior to acquiring a property.</p>
<p><i>Financial Reporting</i></p> <p>Risk of restatement and reissue of CT REIT's financial statements due to:</p> <ul style="list-style-type: none">- Failure to adhere to financial accounting and presentation standards and securities regulations relevant to financial reporting;- Fraudulent activity and/or failure to maintain an effective system of internal controls; and/or- Inadequate explanation of the REITs operating performance, financial condition, and future prospects, which may result in regulatory related issues or decrease in Unit price.	<p>Internal controls which include policies, processes and procedures, provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other disclosure documents. This includes monitoring and responding to changing regulations and standards governing accounting and financial presentation.</p>

11.0 Internal Controls and Procedures

DISCLOSURE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding CT REIT. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the Chief Executive Officer and the Chief Financial Officer, so that they can make appropriate decisions regarding public disclosure.

CT REIT's system of disclosure controls and procedures includes, but is not limited to, its Disclosure Policy, its Code of Business Conduct, the effective functioning of its Disclosure Committee, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee, verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including the consolidated financial statements, MD&As, AIF and other documents and external communications.

As required by CSA National Instrument 52-109 ("NI 52-109"), Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of CT REIT's disclosure controls and procedures was conducted, under the supervision of management, including the CEO and CFO, as of December 31, 2015. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as at December 31, 2015.

Internal control over financial reporting

Management is also responsible for establishing and maintaining appropriate internal controls over financial reporting. CT REIT's internal controls over financial reporting include, but are not limited to, detailed policies and procedures related to financial accounting and reporting and controls over systems that process and summarize transactions. CT REIT's procedures for financial reporting also include the active involvement of qualified financial professionals, senior management and its Audit Committee.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As required by NI 52-109, management, including the CEO and CFO, evaluated the design and operation of CT REIT's internal control over financial reporting as defined in NI 52-109 as at December 31, 2015. In making this assessment, management, including the CEO and CFO, used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). This evaluation included review of the documentation of controls, evaluation of the design and testing the operating effectiveness of controls and a conclusion about this evaluation. Based on their evaluation, the CEO and the CFO have concluded that, as at December 31, 2015, CT REIT's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

Changes in internal control over financial reporting

During the quarter and year ended December 31, 2015, there have been no changes in CT REIT's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, CT REIT's internal control over financial reporting.

12.0 Forward-looking Information

This MD&A, and the documents incorporated by reference herein, contain forward-looking statements that involve a number of risk and uncertainties, including statements regarding the outlook for CT REIT's business results of operations. Forward-looking statements are provided for the purposes of providing information about CT REIT's future outlook and anticipated events or results and may include statements regarding known and unknown risks and uncertainties and other factors that may cause the actual results to differ materially from those indicated. Such factors include, but are not limited to, general economic conditions, financial position, business strategy, availability of acquisition opportunities, budgets, capital expenditures, financial results including fair value adjustments and cash flow assumptions upon which they are based, cash, taxes, plans and objectives of or involving CT REIT. Particularly, statements regarding future acquisitions, developments, distributions, results, performance, achievements, prospects or opportunities for CT REIT or the real estate industry are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "resolved to", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this document include, but are not limited to, statements with respect to the following:

- CT REIT's growth strategy and objectives under section 2.0;
- CT REIT's fair value of property portfolio under section 3.4;
- CT REIT's fair value adjustment on investment properties under section 4.9;
- CT REIT's capital expenditures to fund acquisitions and development activities under section 5.1;
- CT REIT's capital strategy under section 5.9; and
- CT REIT's commitments and contingencies under section 5.10;
- CT REIT's access to available sources of debt and/or equity financing;
- CT REIT's principal risks under section 10.0 principal risks;
- the expected tax treatment of CT REIT and its distributions to Unitholders;
- CT REIT's ability to expand its asset base, make accretive acquisitions, develop or intensify its property and participate with CTC in the development or intensification of the properties; and
- the ability of CT REIT to qualify as a "mutual fund trust", as defined in the Tax Act, and as a "real estate investment trust", as defined in the SIFT Rules.

CT REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that inflation will remain relatively low, that tax laws remain unchanged, that conditions within the real estate market, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide CT REIT with access to equity and/or debt at reasonable rates when required and that CTC will continue its involvement with CT REIT on the basis described in its AIF.

Although the forward-looking statements contained in this MD&A are based upon assumptions that management of CT REIT believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause CT REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, the factors discussed under the "Risk Factors" section of the AIF.

For more information on the risks, uncertainties and assumptions that could cause CT REIT's actual results to differ from current expectations, please also refer to CT REIT's public filings available on SEDAR at www.sedar.com and by a link at www.ctreit.com.

CT REIT cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. Investors and other readers are urged to consider the foregoing risks, uncertainties, factors and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Statements that include forward-looking information do not take into account the effect that transactions or non-recurring or other special items announced or occurring

after the statements are made have on CT REIT's business. For example, they do not include the effect of any dispositions, acquisitions, asset write-downs or other charges announced or occurring after such statements are made. The forward-looking information in this MD&A is based on certain factors and assumptions made as of the date hereof or the date of the relevant document incorporated herein by reference, as applicable. CT REIT does not undertake to update the forward-looking information, whether written or oral, that may be made from time to time by it or on its behalf, to reflect new information, future events or otherwise, except as required by applicable securities laws.

Information contained in or otherwise accessible through the websites referenced in this MD&A or the documents incorporated by reference herein (other than CT REIT's profile on SEDAR at www.sedar.com) does not form part of this MD&A or the documents incorporated by reference herein and is not incorporated by reference into this MD&A. All references to such websites are inactive textual references and are for information only.

Commitment to disclosure and investor communication

The Investor Relations section of the REIT's website by a link at www.ctreit.com includes the following documents and information of interest to investors:

- Annual Information Form;
- Management Information Circular;
- the Prospectus;
- quarterly reports; and
- conference call webcasts (archived for one year).

Additional information about the REIT has been filed electronically with various securities regulators in Canada through SEDAR and is available online at www.sedar.com.

If you would like to contact the Investor Relations department directly, call Andrea Orzech at (416) 480-3195 or email investor.relations@ctreit.com.

February 16, 2016

2015 ANNUAL REPORT

CT REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
(AUDITED)

Management's Responsibility for Financial Statements

The management of CT Real Estate Investment Trust is responsible for the accompanying consolidated financial statements. The financial statements have been prepared by management in accordance with International Financial Reporting Standards, which recognize the necessity of relying on some best estimates and informed judgements. All financial information in our Management's Discussion and Analysis is consistent with the consolidated financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on CT REIT's systems of internal accounting control. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Management meets the objectives of internal accounting control on a cost effective basis through the prudent selection and training of personnel, adoption and communication of appropriate policies, and employment of an internal audit program.

The Board of Trustees oversees management's responsibilities for the consolidated financial statements primarily through the activities of its Audit Committee, which is composed solely of trustees who are neither officers nor employees of CT REIT. This Committee meets with management and CT REIT's independent auditors, Deloitte LLP, to review the consolidated financial statements and recommend approval by the Board of Trustees. The Audit Committee is also responsible for making recommendations with respect to the appointment of and for approving remuneration and the terms of engagement of CT REIT's auditors. The Audit Committee also meets with the auditors, without the presence of management, to discuss the results of their audit, their opinion on internal accounting controls, and the quality of financial reporting.

The consolidated financial statements have been audited by Deloitte LLP, who were appointed by unitholder vote at the annual unitholders' meeting. Their report is presented below.

"Kenneth Silver"

Kenneth Silver
Chief Executive Officer

"Louis Forbes"

Louis Forbes
Chief Financial Officer

February 16, 2016

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of CT Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of CT Real Estate Investment Trust, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, and the consolidated statements of income and comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

The image shows a handwritten signature in cursive script that reads "Deloitte LLP". The signature is written in black ink and is positioned above a thin horizontal line.

Chartered Professional Accountants
Licensed Public Accountants

February 16, 2016
Toronto, Ontario

Consolidated Balance Sheets

As at December 31,
(Canadian dollars, in thousands)

	Note	2015	2014
Assets			
Non-current assets			
Investment properties	4	\$ 4,319,061	\$ 3,999,844
Other assets	6	2,541	2,526
		4,321,602	4,002,370
Current assets			
Tenant and other receivables	5	2,511	10,349
Other assets	6	2,110	1,991
Cash and cash equivalents	7	24,680	2,710
		29,301	15,050
Total assets		\$ 4,350,903	\$ 4,017,420
Liabilities			
Non-current liabilities			
Class C LP Units	8	\$ 1,486,968	\$ 1,647,279
Mortgages payable	9	55,953	57,219
Debentures payable	10	347,948	—
Other liabilities	12	1,481	560
		1,892,350	1,705,058
Current liabilities			
Class C LP Units	8	200,000	200,000
Mortgages payable	9	4,176	1,275
Bank credit facility	11	—	78,000
Other liabilities	12	30,269	20,871
Distributions payable	13	10,745	10,027
		245,190	310,173
Total liabilities		2,137,540	2,015,231
Equity			
Unitholders' equity	14	1,037,209	982,588
Non-controlling interests	14, 16	1,176,154	1,019,601
Total equity		2,213,363	2,002,189
Total liabilities and equity		\$ 4,350,903	\$ 4,017,420

The related notes form an integral part of these consolidated financial statements.

"David Laidley"

David Laidley
Trustee

"Anna Martini"

Anna Martini
Trustee

Consolidated Statements of Income and Comprehensive Income

(Canadian dollars, in thousands, except per unit amounts)

For the year ended December 31,	Note	2015	2014
Property revenue	17	\$ 378,180	\$ 344,791
Property expense	17	(86,856)	(76,677)
General and administrative expense	18	(9,652)	(8,433)
Interest income		232	350
Interest and other financing charges	19	(87,334)	(82,991)
Fair value adjustment on investment properties	4	39,910	141,221
Net income and comprehensive income		\$ 234,480	\$ 318,261
Net income and comprehensive income attributable to:			
Unitholders		\$ 112,775	\$ 159,282
Non-controlling interests		121,705	158,979
		\$ 234,480	\$ 318,261
Net income per unit - basic	14	\$ 1.25	\$ 1.76
Net income per unit - diluted	14	\$ 0.97	\$ 1.20

The related notes form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

(Canadian dollars, in thousands)

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2014		\$ 877,905	\$ 104,683	\$ 982,588	\$ 1,019,601	\$ 2,002,189
Net income and comprehensive income for the year		—	112,775	112,775	121,705	234,480
Issuance of Class B LP Units, net of issue costs	4	—	—	—	99,661	99,661
Distributions	13	—	(59,976)	(59,976)	(64,813)	(124,789)
Issuance of Units under Distribution Reinvestment Plan	13	1,822	—	1,822	—	1,822
Balance at December 31, 2015		\$ 879,727	\$ 157,482	\$ 1,037,209	\$ 1,176,154	\$ 2,213,363

	Note	Units	Retained Earnings	Unitholders' Equity	Non-controlling interests	Total Equity
Balance at December 31, 2013		\$ 876,124	\$ 4,075	\$ 880,199	\$ 900,187	\$ 1,780,386
Net income and comprehensive income for the year		—	159,282	159,282	158,979	318,261
Issuance of Class B LP Units, net of issue costs		—	—	—	19,406	19,406
Distributions	13	—	(58,674)	(58,674)	(58,971)	(117,645)
Issuance of Units under Distribution Reinvestment Plan	13	1,781	—	1,781	—	1,781
Balance at December 31, 2014		\$ 877,905	\$ 104,683	\$ 982,588	\$ 1,019,601	\$ 2,002,189

The related notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(Canadian dollars, in thousands, except per unit amounts)

For the year ended December 31,	Note	2015	2014
Cash generated from (used for):			
Operating activities			
Net income		\$ 234,480	\$ 318,261
Add (deduct):			
Fair value adjustment on investment properties		(39,910)	(141,221)
Straight-line rental income		(26,131)	(28,685)
Straight-line land lease expense		157	219
Interest and other financing charges		87,334	82,991
Changes in working capital and other	20	9,470	2,224
Cash generated from operating activities		265,400	233,789
Investing activities			
Property investments		(43,050)	(106,684)
Land investments and development activities		(49,523)	(35,896)
Capital expenditures recoverable from tenants		(10,424)	(14,963)
Proceeds of disposition		167	—
Cash used for investing activities		(102,830)	(157,543)
Financing activities			
Proceeds from issuance of debentures payable	10	350,000	—
Debenture issue costs	10	(2,052)	—
Redemption of Class C LP Units	8	(200,000)	—
Unit distributions	13	(58,018)	(56,786)
Class B LP Unit distributions paid or loaned	13	(64,232)	(58,779)
Payments on Class C LP Units paid or loaned	8	(78,232)	(81,591)
Bank Credit Facility draws (repayments)	11	(78,000)	78,000
Mortgage principal repayments	9	(1,244)	(31,447)
Mortgage borrowing		—	31,133
Interest paid		(8,718)	(1,007)
Class B LP Unit issue costs		(104)	(58)
Cash used for financing activities		(140,600)	(120,535)
Cash generated/(used) in the year		21,970	(44,289)
Cash and cash equivalents, beginning of year		2,710	46,999
Cash and cash equivalents, end of year		\$ 24,680	\$ 2,710

The related notes form an integral part of these consolidated financial statements.

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1. NATURE OF CT REAL ESTATE INVESTMENT TRUST

CT Real Estate Investment Trust is an unincorporated, closed-end real estate investment trust. CT Real Estate Investment Trust and its subsidiaries, unless the context requires otherwise, are together referred to in these consolidated financial statements as “CT REIT”. CT REIT commenced operations on October 23, 2013, and was formed to own income-producing commercial properties located primarily in Canada. The principal and registered head office of CT REIT is located at 2180 Yonge Street, Toronto, Ontario M4P 2V8.

Canadian Tire Corporation, Limited (“CTC”) owns an 83.8% effective interest in CT REIT as of December 31, 2015, consisting of 59,711,094 of the issued and outstanding units of CT REIT (“Units”) and all of the issued and outstanding Class B limited partnership units (“Class B LP Units”) of CT REIT Limited Partnership (the “Partnership”), which are economically equivalent to and exchangeable for Units. CTC also owns all of the issued and outstanding Class C limited partnership units (“Class C LP Units”) of the Partnership (see Note 8). The Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol CRT.UN.

CT REIT has one segment, which comprises the ownership and operation of primarily retail investment properties located in Canada.

2. BASIS OF PRESENTATION

(a) Fiscal Year

The fiscal years for the consolidated financial statements and the notes presented for 2015 are for the years ended December 31, 2015 and 2014.

(b) 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”) using the accounting policies that are described herein.

These consolidated financial statements were authorized for issuance by CT REIT’s Board of Trustees (the “Board”) on February 16, 2016.

(c) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for investment properties and liabilities for unit-based compensation plans, which are measured at fair value.

These financial statements are presented in Canadian dollars (“C\$”) rounded to the nearest thousand, except per unit amounts.

(d) Critical judgments in applying significant accounting policies

The following are the critical judgments that have been made in applying CT REIT’s accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Leases

CT REIT’s policy for revenue recognition is described in Note 3(e). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property as well as the point in time at which revenue recognition under the lease commences. In addition, where a lease allows a tenant to elect to take all or a portion of any unused tenant improvement allowance as rent abatement, CT REIT must exercise judgment in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

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CT REIT also makes judgments in assessing the classification of its leases with tenants as operating leases, in particular long-term leases in single tenant properties. CT REIT has determined that all of its leases are operating leases.

(ii) Investment properties

CT REIT applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. CT REIT considers all properties acquired to date to be asset acquisitions.

Judgment is applied in determining whether certain costs are additions to the carrying amount of the investment property.

At each reporting period, internal valuations are prepared by management for all investment properties. In determining the fair value of investment properties, judgment is applied in selecting the extent and frequency of independent appraisals. Independent valuations are obtained on properties such that substantially all of the properties will be independently appraised over a four-year period.

(iii) Income taxes

CT REIT makes judgments that, with the exception of transactions involving CT REIT GP Corp., deferred income taxes are not recognized in CT REIT's financial statements on the basis that CT REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the period, and CT REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

(iv) Consolidation of the Partnership

CT REIT makes judgments in the application of IFRS 10 - *Consolidated Financial Statements* in its assessment of control over the Partnership, including the purpose for which the Partnership was created, the power to direct the relevant activities of the Partnership, its exposure or rights to the variable returns of the Partnership and its ability to use its power to affect its returns.

(v) Proportionate consolidation of interest in Canada Square

CT REIT makes judgments in the application of IFRS 11 - *Joint Arrangements* in its assessment of joint control over the interest held in Canada Square, a mixed-use commercial property in Toronto (the "Co-ownership"), and its rights to the assets and obligations for the liabilities related to the Co-ownership.

(e) Critical accounting estimates and assumptions

CT REIT makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results may differ from estimates. The estimates and assumptions underlying the valuation of investment properties, as set out in Note 4, are considered critical.

(f) Standards, amendments and interpretations issued but not yet adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2015, and, accordingly, have not been applied in preparing these consolidated financial statements.

(i) Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement - Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets.

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Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income instead of net income, unless this would create an accounting mismatch.

Impairment - The measurement of impairment of financial assets is based on an expected credit loss model. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting - The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

(ii) Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers* ("IFRS 15"), which replaces IAS 11 - *Construction Contracts*, IAS 18 - *Revenue* and IFRIC 13 - *Customer Loyalty Programmes*, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

IFRS 15 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. CT REIT is assessing the potential impact of this standard.

(iii) Disclosure initiative

In December 2014, the IASB issued *Disclosure Initiative - Amendments to IAS 1* as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosures and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. The implementation of these amendments will not have a significant impact on CT REIT.

In January 2016, the IASB issued *Disclosure Initiative Amendments to IAS 7* also as part of the IASB's Disclosure Initiative. These amendments require entities to provide additional disclosures that will enable financial statements users to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. CT REIT is currently assessing the potential impact of these amendments.

(iv) Leases

In January 2016, the IASB issued IFRS 16 - *Leases* ("IFRS 16"), which replaces IAS 17 - *Leases* ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. CT REIT is assessing the potential impact of this standard.

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(v) Income taxes

In January 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealised Losses as an amendment to IAS 12 - Income Taxes. These amendments address the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. CT REIT is currently assessing the potential impact of these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

These consolidated financial statements include the accounts of CT REIT and its consolidated subsidiaries consisting of the Partnership and CT REIT GP Corp., which are the entities over which CT REIT has control. Control exists when CT REIT has the ability to direct the relevant activities of an entity, has exposure or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. CT REIT reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when CT REIT obtains control over the subsidiary and ceases when CT REIT loses control of the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between CT REIT and its subsidiaries, and among subsidiaries of CT REIT, are eliminated on consolidation.

Net income and comprehensive income are attributed to the Unitholders of CT REIT and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

CT REIT holds all of the Class A limited partnership units ("Class A LP Units") of the Partnership, which are the sole class of Partnership units that carry voting rights. In addition, CT REIT holds all of the shares of CT REIT GP Corp. (the "GP"), the general partner of the Partnership, which has the power to direct the relevant activities of the Partnership. Accordingly, CT REIT is exposed to variable returns from its interest in the Partnership and has the ability to direct the relevant activities thereof to affect its returns. Therefore CT REIT consolidates the Partnership.

Non-controlling interests in the equity of the Partnership, which consists of Class B LP Units held by a wholly owned subsidiary of CTC, are shown separately in equity on the consolidated balance sheet.

(b) Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement is classified as a joint venture when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint operation records its interest in the assets, liabilities, revenue and expenses of the joint operation.

CT REIT acquired a one-third interest in the Co-ownership, pursuant to a co-ownership arrangement. The Co-ownership is a joint arrangement as the material decisions about relevant activities require unanimous consent of the co-owners. This joint arrangement is a joint operation as each co-owner has rights to the assets and obligations

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for the liabilities related to the Co-ownership. Accordingly, CT REIT recognizes its proportionate share of the assets, liabilities, revenue and expenses of the Co-ownership in its financial statements.

(c) Investment properties

Investment properties include income-producing properties and properties under development that are held by CT REIT to earn rental income. CT REIT accounts for its investment properties in accordance with IAS 40 - *Investment Property* ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination in accordance with IFRS 3 - *Business Combinations* ("IFRS 3"), otherwise they are initially measured at cost including directly attributable acquisition costs. Subsequent to acquisition, investment properties are carried at fair value, which is determined based on available market evidence at the balance sheet date including, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases less future cash outflows in respect of capital expenditures. Gains and losses arising from changes in fair value are recognized in net income in the period of change.

The initial cost of properties under development includes the acquisition cost of the properties, direct development costs, realty taxes and borrowing costs attributable to properties under development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined first by reference to property-specific borrowings, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs on completion of construction and receipt of all necessary occupancy and other material permits.

If considered reliably measurable, properties under development are carried at fair value. Properties under development are measured at cost if fair value is not reliably measurable. In determining the fair value of properties under development, management considers, among other things, the development risk of the property, the provisions of the construction contract, the stage of completion and the level of reliability of cash inflows after completion.

Leasing costs incurred by CT REIT in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Payments to tenants under lease contracts are characterized as either capital expenditures in the form of tenant improvements that enhance the value of the property or as lease inducements. Tenant improvements are capitalized as part of investment properties. Lease inducements are capitalized as a component of investment properties and are amortized over the term of the lease as a reduction of revenue.

When an investment property is sold, the gain or loss is determined as the difference between the net disposal proceeds and the carrying amount of the property, and is recognized in net income in the period of disposal.

(d) Business combinations

CT REIT accounts for investment property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. CT REIT applies the acquisition method to account for business combinations. The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities assumed from or incurred to the former owners of the acquiree and the equity interests issued by CT REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs incurred in a business combination are expensed as incurred.

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CT REIT recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

(e) Revenue recognition

CT REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where CT REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. Property revenue includes all amounts earned from tenants related to lease agreements including property tax, operating cost and other recoveries.

The total amount of minimum lease payments to be received from operating leases is recognized on a straight-line basis over the term of the lease. A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual amount of minimum base rent received or receivable.

(f) Income taxes

CT REIT is a "mutual fund trust" under the Income Tax Act (Canada). The Trustees intend to distribute or designate all taxable income directly earned by CT REIT to Unitholders and to deduct such distributions for income tax purposes.

Legislation relating to the federal income taxation of Specified Investment Flow Through ("SIFT") trusts or partnerships provide that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as a return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). CT REIT has reviewed the SIFT rules and has assessed their interpretation and application to CT REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, CT REIT believes that it meets the REIT Conditions. Accordingly, with the exception of transactions with CT REIT GP Corp., no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements.

(g) Class C LP Units

Each series of the Class C LP Units are redeemable, at the option of the holder, at a specified future date and can be settled at the option of the Partnership in cash or a variable number of Class B LP Units. Accordingly, the Class C LP Units are classified as financial liabilities and fixed payments on the Class C LP Units are presented as interest expense in the consolidated statement of income and comprehensive income using the effective interest method.

(h) Non-controlling interests

Class B LP Units are classified as non-controlling interests and are presented as a component of equity as they represent equity interests in the Partnership not attributable, directly or indirectly, to CT REIT.

(i) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when CT REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are remeasured at each balance sheet date using the then current discount rate. The increase in the provision due to the passage of time is recognized as interest expense.

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(j) Unit based compensation plans

CT REIT offers a Deferred Unit Plan (the “DU Plan”) for trustees who are not employees or officers of CT REIT or its affiliates, whereby such trustees may elect to receive all or a portion of their annual compensation in deferred units (“DUs”). CT REIT has a Restricted Unit Plan (the “RU Plan”) for executives, whereby the executives of CT REIT may elect to receive all or a portion of their annual short-term incentive plan awards in restricted units (“RUs”), and a Performance Unit Plan (the “PU Plan”) whereby the Board grants performance units (“PUs”) to executives of CT REIT as part of their long-term incentive plan.

DUs, RUs and PUs are recorded as liabilities and expensed as compensation expense over the vesting period. Accrued compensation costs under the plans are adjusted to the fair value of the vested units at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

(l) Financial instruments and derivatives

Financial instruments are classified, at the time of initial recognition, according to their characteristics and management’s classifications and intentions related thereto for the purposes of ongoing measurement. Classification choices are: (i) held-to-maturity, (ii) loans and receivables, (iii) fair value through profit or loss (“FVTPL”), (iv) available for sale, or (v) other financial liabilities. Financial assets and liabilities classified as FVTPL are measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are measured at amortized cost, using the effective interest method. Available-for-sale financial instruments are measured at fair value and any unrealized gains and losses will be recognized in other comprehensive income. CT REIT does not hold any held-to-maturity, FVTPL or available for sale financial instruments.

The following summarizes CT REIT’s classification and measurement of financial instruments:

Financial assets and liabilities	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Other assets ¹	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Mortgages payable	Loans and receivables	Amortized cost
Debentures payable	Loans and receivables	Amortized cost
Class C LP Units	Other liabilities	Amortized cost
Other liabilities ²	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost

¹ Financial instruments included in other assets consist of deposits.

² Except for DUs, RUs and PUs which are carried at fair value.

Transaction costs, other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers and transfer taxes and duties incurred in connection with the arrangement of borrowings.

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4. INVESTMENT PROPERTIES

	December 31, 2015			December 31, 2014		
	Income producing properties	Properties under development	Total investment properties	Income producing properties	Properties under development	Total investment properties
Balance, beginning of year	\$ 3,995,860	\$ 3,984	\$ 3,999,844	\$ 3,538,853	\$ 9,011	\$ 3,547,864
Property acquisitions (including transaction costs)	174,430	—	174,430	228,684	—	228,684
Intensifications	—	28,939	28,939	11,951	—	11,951
Developments	—	25,983	25,983	—	19,963	19,963
Development land	—	8,767	8,767	—	3,982	3,982
Capitalized interest and property taxes	—	390	390	—	442	442
Transfers	53,840	(53,840)	—	29,414	(29,414)	—
Fair value adjustment on investment properties	39,910	—	39,910	141,221	—	141,221
Straight-line rent	26,131	—	26,131	28,685	—	28,685
Recoverable capital expenditures	14,834	—	14,834	17,052	—	17,052
Dispositions	(167)	—	(167)	—	—	—
Balance, end of year	\$ 4,304,838	\$ 14,223	\$ 4,319,061	\$ 3,995,860	\$ 3,984	\$ 3,999,844

To determine fair value, CT REIT uses the income approach. Fair value is estimated by capitalizing the cash flows that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate (“OCR”) method, whereby the net operating income is capitalized at the requisite OCR, or the discounted cash flow (“DCF”) method, in which the cash flows are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate.

As at December 31, 2015, management’s determination of fair value was updated for current market assumptions, utilizing market capitalization rates provided by independent valuation professionals.

On a periodic basis, CT REIT obtains independent valuations such that substantially all of the properties will be externally appraised over a four-year period. During 2015, independent appraisals were completed on 68 properties (2014 - 68 properties) having a fair value of \$999,830.

The fair value of investment properties is based on Level 3 inputs (see Note 24(a)). There have been no transfers during the period between levels.

The significant inputs used to determine the fair value of CT REIT’s income producing investment properties are as follows:

	Properties valued by the OCR method	Properties valued by the DCF method
Number of properties	264	21
Value at December 31, 2015	\$ 3,635,620	\$ 640,680
Discount rate	—%	6.70%
Terminal capitalization rate	—%	6.34%
Overall capitalization rate	6.36%	—%
Hold period (years)	—	9

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Valuations determined by the OCR method are most sensitive to changes in capitalization rates. Valuations determined by the DCF method are most sensitive to changes in discount rates.

The following table summarizes the sensitivity of the fair value of investment properties to changes in the capitalization rate and discount rate, respectively:

Rate sensitivity	OCR Sensitivity		DCF Sensitivity	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 3,271,687	\$ (363,933)	\$ 574,670	\$ (66,010)
+ 50 basis points	3,384,182	(251,438)	595,056	(45,624)
+ 25 basis points	3,505,130	(130,490)	616,983	(23,697)
Base rate	\$ 3,635,620	\$ —	\$ 640,680	\$ —
- 25 basis points	3,777,035	141,415	666,398	25,718
- 50 basis points	3,930,573	294,953	694,317	53,637
- 75 basis points	\$ 4,097,895	\$ 462,275	\$ 724,846	\$ 84,166

2015 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2015 was as follows:

2015 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications
Funded with working capital to CTC	\$ 41,955	\$ 1	\$ 14,060	\$ 15,103
Funded with working capital to third parties	1,095	627	8,966	13,836
Issuance of Class B LP Units to CTC	99,830	—	—	—
Issuance of Class C LP Units to CTC	31,550	8,139	—	—
Mortgages assumed	—	—	2,957	—
Total costs	\$ 174,430	\$ 8,767	\$ 25,983	\$ 28,939

2014 Investment and Development Activity

Funding of investment and development activities for the year ended December 31, 2014 was as follows:

2014 Investment and Development Activity				
	Property investments	Development land	Developments	Intensifications
Funded with working capital to CTC ¹	\$ 31,479	\$ —	\$ 19,929	\$ 11,951
Funded with working capital to third parties	71,267	3,982	34	—
Issuance of Class B LP Units to CTC	19,464	—	—	—
Issuance of Class C LP Units to CTC	47,279	—	—	—
Mortgages assumed	59,195	—	—	—
Total costs	\$ 228,684	\$ 3,982	\$ 19,963	\$ 11,951

¹ Net of post-closing adjustments.

Included in CT REIT's investment properties are eight buildings which are situated on ground leases with remaining initial terms of between 3 and 40 years, and an average initial term of 16 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
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5. TENANT AND OTHER RECEIVABLES

The components of tenant and other receivables were as follows:

	December 31, 2015	December 31, 2014
Rent and other receivables ¹	\$ 2,665	\$ 10,429
Allowance for doubtful accounts	(154)	(80)
Tenant and other receivables	\$ 2,511	\$ 10,349

¹Includes \$893 receivable from CTC (2014 - \$8,505).

6. OTHER ASSETS

	December 31, 2015	December 31, 2014
Prepaid expenses and deposits	\$ 3,481	\$ 3,420
Deferred assets	1,170	1,097
Other assets	4,651	4,517
Current	2,110	1,991
Non-current	2,541	2,526
Other assets	\$ 4,651	\$ 4,517

Deferred assets include the costs incurred in connection with the arrangement of the Bank Credit Facility, which are being amortized over 60 months (see Note 11).

7. CASH AND CASH EQUIVALENTS

At December 31, 2015, CT REIT had short-term deposits of \$19,988 (2014 - \$Nil). For the year ended December 31, 2015, interest income of \$232 (2014 - \$350) was earned on cash and cash equivalents and is recorded as interest income in the statements of income and comprehensive income.

8. CLASS C LP UNITS

The Class C LP Units entitle the holder to a fixed cumulative monthly payment during the initial fixed rate period for each Series of Class C LP Units (the "Initial Fixed Rate Period") equal to a weighted average of 4.50% of the aggregate capital amount ascribed to the Class C LP Units, in priority to distributions made to holders of the Class B LP Units and CT REIT GP Corp. (the "GP") Units, subject to certain exceptions.

On expiry of the Initial Fixed Rate Period applicable to each series of Class C LP Units, and every five years thereafter, each such series of Class C LP Units is redeemable at par (together with all accrued and unpaid payments thereon) at the option of the Partnership or the holder, upon giving at least 120 days' prior notice. The Partnership further has the ability to settle any of the Class C LP Units at any time after January 1, 2019 at a price equal to the greater of par and a price to provide a yield equal to the then equivalent Government of Canada bond yield plus a spread, so long as such redemption is in connection with a sale of properties.

Such redemptions of Class C LP Units (other than upon a change of control at CT REIT) can be settled at the option of the Partnership, in cash or Class B LP Units of equal value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
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During the five-year period beginning immediately following the completion of the Initial Fixed Rate Period, and each five-year period thereafter, if not redeemed, the fixed payment rate for Class C LP Units will be reset, and the holders of Class C LP Units will be entitled, subject to certain conditions, to elect either a fixed rate or floating rate option.

The following table presents the details of the Class C LP Units:

Series	Expiry of initial fixed rate period	Annual distribution rate during initial fixed rate period	Carrying amount at December 31, 2015	Carrying amount at December 31, 2014
Series 1	May 31, 2015	3.50%	\$ —	\$ 200,000
Series 2	May 31, 2016	3.50%	200,000	200,000
Series 3	May 31, 2020	4.50%	200,000	200,000
Series 4	May 31, 2024	4.50%	200,000	200,000
Series 5	May 31, 2028	4.50%	200,000	200,000
Series 6	May 31, 2031	5.00%	200,000	200,000
Series 7	May 31, 2034	5.00%	200,000	200,000
Series 8	May 31, 2035	5.00%	200,000	200,000
Series 9	May 31, 2038	5.00%	200,000	200,000
Series 10	May 31, 2017	2.38%	7,130	7,130
Series 11	May 31, 2017	2.20%	20,685	20,685
Series 12	May 31, 2017	2.23%	19,464	19,464
Series 13	May 31, 2017	1.65%	3,789	—
Series 14	May 31, 2017	1.71%	15,000	—
Series 15	May 31, 2017	1.77%	4,350	—
Series 16	May 31, 2020	2.42%	16,550	—
Weighted average / Total		4.50%	\$ 1,686,968	\$ 1,847,279
Current			\$ 200,000	\$ 200,000
Non-current			1,486,968	1,647,279
Total			\$ 1,686,968	\$ 1,847,279

For the year ended December 31, 2015, interest expense of \$78,318 (2014 - \$81,643) was recognized in respect of the Class C LP Units (see Note 19). The holders of the Class C LP Units may elect to defer receipt of all or a portion of payments declared by CT REIT until the first day following the end of the fiscal year. If the holder so elects to defer receipt of payments, CT REIT will loan the holder an amount equal to the deferred payment without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred payments be applied to repay such loans. At the election of the holder, payments on the Class C LP Units for the year ended December 31, 2015 of \$68,805 (2014 - \$68,425), respectively, were deferred until the first day following the end of the fiscal year and non-interest bearing loans equal to the deferred payments were advanced in lieu thereof. The net amount of payments due in respect of the Class C LP Units at December 31, 2015 of \$6,288 (2014 - \$6,838) is included in other liabilities on the consolidated balance sheet (see Note 12). These loans were settled on January 4, 2016.

On June 1, 2015, the Series 1 Class C LP Units was redeemed by payment of \$200,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(All dollar amounts are in thousands, except per unit amounts)

9. MORTGAGES PAYABLE

Mortgages payable, secured by certain of CT REIT's investment properties, include the following:

	December 31, 2015		December 31, 2014	
	Face value	Carrying amount	Face value	Carrying amount
Current	\$ 4,074	\$ 4,176	\$ 1,158	\$ 1,275
Non-current	55,949	55,953	57,148	57,219
Total	\$ 60,023	\$ 60,129	\$ 58,306	\$ 58,494

Future repayments are as follows:		Principal Amortization	Maturities	Total
	2016	\$ 1,199	\$ 2,875	\$ 4,074
	2017	1,240	—	1,240
	2018	422	16,661	17,083
	2019	—	37,626	37,626
	2020	—	—	—
	2021 and thereafter	—	—	—
Total contractual obligation	\$	2,861	\$ 57,162	\$ 60,023
Unamortized portion of mark to market on mortgages payable assumed at the acquisition of properties				282
Unamortized transaction costs				(176)
			\$	60,129

Mortgages payable have interest rates that range from 2.50% to 3.60%, and have maturity dates that range from May 2016 to December 2019. Mortgages payable at December 31, 2015 had a weighted average interest rate of 3.15% (December 31, 2014 – 3.19%). At December 31, 2015, floating rate and fixed rate mortgages were \$31,133 (December 31, 2014 – \$31,133) and \$28,890 (December 31, 2014 – \$27,173), respectively.

Investment properties having a fair value of \$132,999 (December 31, 2014 – \$121,489), have been pledged as security for mortgages payable.

10. DEBENTURES PAYABLE

	December 31, 2015		December 31, 2014	
Series	Face Value	Carrying Amount	Face Value	Carrying Amount
Series A, 2.85%, June 9, 2022	\$ 150,000	\$ 149,159	—	—
Series B, 3.53%, June 9, 2025	200,000	198,789	—	—
	\$ 350,000	\$ 347,948	\$ —	\$ —

On June 9, 2015, CT REIT issued \$350,000 aggregate principal amount of senior unsecured debentures (the "Debentures"). The proceeds, net of issuance costs of \$2,184, were used to indirectly redeem the Series 1 Class C LP Units held by CTC, to pay down certain amounts then outstanding under the Bank Credit Facility, and the balance of the proceeds were retained for general business purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(All dollar amounts are in thousands, except per unit amounts)

For the year ended December 31, 2015, amortization of the transaction costs of \$131 (2014 - \$nil) is included in interest and other financing charges on the consolidated statement of income and comprehensive income (see Note 19).

11. BANK CREDIT FACILITY

The Partnership has a \$200,000 revolving credit facility (the "Bank Credit Facility"), with an option to request an increase of an additional \$100,000. The Bank Credit Facility is available to the Partnership until July 2020. The Bank Credit Facility bears interest at a rate based on the bank's prime rate of interest or bankers' acceptances plus a margin. A standby fee is charged on the Bank Credit Facility.

As at December 31, 2015, there were no cash advances under the Bank Credit Facility (2014 - \$78,000) and \$311 (2014 - \$nil) of letters of credit had been drawn on the Bank Credit Facility. The unamortized balance of transaction costs incurred in connection with the arrangement of the Bank Credit Facility of \$283 (2014 - \$434) is recorded in other assets on the consolidated balance sheets.

For the year ended December 31, 2015, amortization of the transaction costs of \$151 (2014 - \$182), as well as the standby fee of \$487 (2014 - \$492) are included in interest and other financing charges on the consolidated statement of income and comprehensive income (see Note 19).

12. OTHER LIABILITIES

Other liabilities are comprised of the following:

	December 31, 2015	December 31, 2014
Interest on Class C LP Units ¹	\$ 6,288	\$ 6,838
Property operating costs ²	2,899	3,188
Capital expenditures payable	9,630	2,089
Deferred revenue ³	1,301	2,238
Other ⁴	11,632	7,078
Other liabilities	\$ 31,750	\$ 21,431
Current	30,269	20,871
Non-current	1,481	560
Other liabilities	\$ 31,750	\$ 21,431

¹ Net of loans receivable of \$68,805 (2014 - \$68,425). See Note 23(b).

² Includes \$507 payable to CTC (2014 - \$496).

³ Prepaid rent from CTC.

⁴ Includes \$2,588 payable to CTC (2014 - \$3,289).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
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13. DISTRIBUTIONS ON UNITS AND CLASS B LP UNITS

The following table presents total distributions declared on Units and Class B LP Units:

For the year ended December 31,	2015		2014	
	Total Distributions	Distributions per Unit	Total Distributions	Distributions per Unit
Units ¹	\$ 59,976	\$ 0.66	\$ 58,674	\$ 0.65
Class B LP Units ²	\$ 64,813	\$ 0.66	\$ 58,971	\$ 0.65

¹ Includes \$39,673 (2014 - \$38,877) paid or payable to CTC.

² Paid or payable to CTC.

CT REIT has adopted a distribution reinvestment plan ("DRIP"), which allows certain Canadian resident Unitholders to elect to have all or a portion of their cash distributions reinvested in additional Units (at a price per unit calculated by reference to the five-day volume weighted average for the Units on the TSX for the five business days immediately preceding the distribution payment date). No brokerage commissions or service charges are payable in connection with the purchase of Units under the DRIP and CT REIT pays all administrative costs. The automatic reinvestment of distributions under the DRIP does not relieve holders of Units of any income tax applicable to such distributions. Unitholders who participate in the DRIP receive an additional distribution of units equal to 3.0% of each distribution that was reinvested by them.

For the year ended December 31, 2015, 149,148 (2014 - 161,437) Units, were issued under the DRIP for \$1,822 (2014 - \$1,781).

On November, 9, 2015, the Board approved an increase in the annual rate of distribution to \$0.68 per Unit per year, commencing with the December 31, 2015 record date.

On December 15, 2015, CT REIT's Board declared a distribution of \$0.05667 per Unit paid on January 15, 2016 to holders of Units and Class B LP Units of record as of December 31, 2015.

On January 15, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit payable on February 16, 2016 to holders of Units and Class B LP Units of record as of January 31, 2016.

On February 16, 2016, CT REIT's Board declared a distribution of \$0.05667 per Unit payable on March 15, 2016 to holders of Units and Class B LP Units of record as of February 29, 2016.

The holders of the Class B LP Units may elect to defer receipt of all or a portion of distributions declared by CT REIT until the first day following the end of the fiscal year. If the holder so elects to defer receipt of distributions, CT REIT will loan the holder the amount equal to the deferred distribution without interest, and the loan will be due and payable in full on the first business day following the end of the fiscal year the loan was advanced, the holder having irrevocably directed that any payment of the deferred distributions be applied to repay such loans. For the year ended December 31, 2015, the holders of the Class B LP Units elected to defer distributions in the amount of \$2,106 (2014 - \$565). See Note 23(b). These loans were settled on January 4, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
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14. EQUITY

Authorized and outstanding units

CT REIT is authorized to issue an unlimited number of Units.

The following tables summarize the changes in Units and Class B LP Units:

As at December 31, 2015			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,188,210	91,297,572	181,485,782
Issued	149,148	7,965,757	8,114,905
Total outstanding at end of year	90,337,358	99,263,329	189,600,687

As at December 31, 2014			
	Units	Class B LP Units	Total
Total outstanding at beginning of year	90,026,773	89,559,871	179,586,644
Issued	161,437	1,737,701	1,899,138
Total outstanding at end of year	90,188,210	91,297,572	181,485,782

Net income attributable to Unitholders and weighted average units outstanding used in determining basic and diluted net income per unit for the years ended December 31, 2015 and 2014, are calculated as follows, respectively:

For the year ended December 31, 2015			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 112,775	\$ 121,705	\$ 234,480
Income effect of settling Class C LP Units with Class B LP Units			78,318
Net income attributable to Unitholders - diluted			\$ 312,798

Weighted average Units outstanding - basic	90,262,679	97,249,251	187,511,930
Dilutive effect of other Unit plans			95,239
Dilutive effect of settling Class C LP Units with Class B LP Units			134,122,540
Weighted average Units outstanding - diluted			321,729,709

For the year ended December 31, 2014			
	Units	Class B LP Units	Total
Net income attributable to Unitholders - basic	\$ 159,282	\$ 158,979	\$ 318,261
Income effect of settling Class C LP Units with Class B LP Units			81,643
Net income attributable to Unitholders - diluted			\$ 399,904
Weighted average Units outstanding - basic	90,110,919	90,488,232	180,599,151
Dilutive effect of other Unit plans			44,485
Dilutive effect of settling Class C LP Units with Class B LP Units			151,702,425
Weighted average Units outstanding - diluted			332,346,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The calculation of diluted per unit amounts is determined on a combined basis for the Units and Class B LP Units as the Class B LP Units are exchangeable into Units on a one-for-one basis and are entitled to an equivalent amount of net income per unit as the Units.

Units

Each Unit is transferable and represents an equal, undivided, beneficial interest in CT REIT and any distributions, whether of net income, net realized capital gains, or other amounts, and in the event of the termination or winding-up of CT REIT, in CT REIT's net assets remaining after satisfaction of all liabilities. All Units rank among themselves equally and ratably without discrimination, preference or priority. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any written resolution of Unitholders. The Units have no conversion, retraction or redemption rights.

Non-controlling interests

The Class B LP Units are exchangeable on a one-for-one basis (subject to customary anti-dilution provisions) for Units at the option of the holder. Each Class B LP Unit is accompanied by a Special Voting Unit. The holders of Class B LP Units are entitled to receive distributions when declared by the Partnership equal to the per unit amount of distributions payable to each holder of Units. However, the Class B LP Units have limited voting rights over the Partnership.

Special Voting Units

Special Voting Units are only issued (i) in tandem with Class B LP Units of the Partnership or (ii) in limited circumstances to holders of the Class C LP Units and are not transferable separately from the Class B LP Units or Class C LP Units, as the case may be, to which they relate. Upon any transfer of Class B LP Units or Class C LP Units, as the case may be, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Units or purchased for cancellation, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders or with respect to any resolution in writing of Unitholders. Except for the right to attend and vote at meetings of the Unitholders or with respect to written resolutions of the Unitholders, Special Voting Units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in CT REIT, or to any interest or share in CT REIT, or to any interest in any distributions (whether of net income, net realized capital gains, or other amounts), or to any interest in any net assets in the event of termination or winding-up.

CT REIT's Board retains full discretion with respect to the timing and quantum of distributions. Declared distributions are paid to Unitholders of record at the close of business on the last day of the month on or about the 15th day of the following month.

15. UNIT BASED COMPENSATION PLANS

Deferred Unit Plan for Trustees

CT REIT offers a DU Plan for members of its Board of Trustees who are not employees or officers of CT REIT or its affiliates. Under this plan, trustees may elect to receive all or a portion of their annual compensation, which is paid quarterly, in DUs. The number of DUs to be issued is determined by dividing the quarterly compensation amount the trustee has elected to defer by the volume weighted average price at which Units of CT REIT trade on the Toronto Stock Exchange during the five trading days immediately preceding the end of the calendar quarter. The DU account of each trustee includes the value of distributions, if any, which are reinvested in additional DUs. DUs represent the right to receive an equivalent number of Units issued by CT REIT or, at the trustee's election, the cash equivalent thereof, upon the trustee's departure from the Board. DUs that are converted to cash will be equivalent to the fair market value of Units of CT REIT at the time the conversion takes place pursuant to the terms of the DU Plan.

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As at December 31, 2015, accrued Trustee compensation costs, which is included in other liabilities, totaled \$726 (2014 - \$440). Compensation expense recorded for the year ended December 31, 2015 was \$57 (2014 - \$51). The fair value of DUs is equal to the trading price of Units, which is a Level 1 input (see Note 24(a)).

Performance Unit Plan

CT REIT granted PUs to its executives. Each PU entitles the executive to receive a cash payment equal to the volume weighted average trading price of a Unit of CT REIT on the TSX during the 10-calendar day period commencing on the first business day following the end of the performance period, multiplied by a factor determined by specific performance-based criteria, as set out in the PU Plan. The performance period of each PU award is approximately three years from the date of issuance.

As at December 31, 2015, the accrued compensation costs, which is included in other liabilities, totaled \$917 (2014 - \$232). Compensation expense recorded for the year ended December 31, 2015 for PUs granted to executive officers was \$685 (2014 - \$232). The fair value of PUs is equal to the trading price of Units, which is a Level 1 input (see Note 24(a)).

Restricted Unit Plan for Executives

CT REIT offers a RU Plan for its executives. Under this plan, executives of CT REIT may elect to receive all or a portion of their annual bonus in RUs which entitle the executive to receive an equivalent number of Units issued by CT REIT or, at the executive's election, the cash equivalent thereof, at the end of the vesting period which is generally five years from the annual bonus payment date. The number of RUs to be issued is determined by dividing the annual bonus amount the executive has elected to defer by the volume weighted average price at which Units of CT REIT trade on the Toronto Stock Exchange during the five trading days immediately prior to the tenth business day following the release of CT REIT's financial statements for the year in which the annual bonus was earned. The RU Plan also provides for discretionary grants of RUs which entitle the executive to receive an equivalent number of Units of CT REIT or, at the executive's election, the cash equivalent thereof, at the end of the vesting period which is generally three years from the date of issuance. RUs that are converted to cash will be equivalent to the market value of Units of CT REIT on the conversion date pursuant to the terms of the RU Plan. The RU account for each executive includes the value of distributions, if any, which are reinvested in additional RUs.

As at December 31, 2015, the accrued compensation costs, which is included in other liabilities, totaled \$537 (2014 - \$328). Compensation expense for the year ended December 31, 2015 was \$41 (2014 - \$53). The fair value of RUs is equal to the trading price of Units, which is a Level 1 input (see Note 24(a)).

16. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries of CT REIT that have material non-controlling interests are as follows:

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Net income and comprehensive income allocated to non-controlling interests	
	December 31, 2015	December 31, 2014	2015	2014
CT REIT Limited Partnership	52.35%	50.31%	\$ 121,705	\$ 158,979

There are no restrictions on CT REIT's ability to access or use the assets and settle the liabilities of its subsidiaries and there are no contractual arrangements that could require CT REIT to provide financial support.

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17. REVENUE AND EXPENSES

(a) Property revenue

CT REIT leases income-producing commercial properties to tenants under operating leases. The CTC leases have staggered initial terms ranging from 1 to 20 years, with a weighted average remaining initial term of approximately 13.6 years. Annual base minimum rent for CTC leases had weighted average annual rent escalations of approximately 1.5% per year commencing January 1, 2015.

The components of revenue are as follows:

For the year ended December 31, 2015	CTC	Other	Total
Base minimum rent	\$ 257,458	\$ 9,688	\$ 267,146
Straight-line rent	25,703	428	26,131
Subtotal base rent	283,161	10,116	293,277
Property tax and operating expense recoveries	76,421	5,662	82,083
Capital expenditure and interest recovery charge	2,289	77	2,366
Other revenues	2	452	454
Property revenue	\$ 361,873	\$ 16,307	\$ 378,180

For the year ended December 31, 2014	CTC	Other	Total
Base minimum rent	\$ 235,851	\$ 7,867	\$ 243,718
Straight-line rent	28,104	581	28,685
Subtotal base rent	263,955	8,448	272,403
Property tax and operating expense recoveries	68,092	3,818	71,910
Capital expenditure and interest recovery charge	165	—	165
Other revenues	—	313	313
Property revenue	\$ 332,212	\$ 12,579	\$ 344,791

Future base minimum rental commitments on non-cancellable tenant operating leases are as follows:

	December 31, 2015
Less than one year	\$ 277,915
Between one and five years	1,140,866
More than five years	2,670,136
Total	\$ 4,088,917

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(b) Property expense

The major components of property expense consist of property taxes and other recoverable costs:

For the year ended December 31,	2015	2014
Property taxes	\$ 74,876	\$ 68,615
Other recoverable operating costs	5,592	3,225
Ground lease	3,345	2,147
Property management ¹	2,729	2,515
Property insurance	144	95
Other non-recoverable costs	170	80
Property expense	\$ 86,856	\$ 76,677

¹ Includes \$2,336 (2014 - \$2,333) with CTC. See Note 23.

18. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense is comprised of the following:

For the year ended December 31,	2015	2014
Services Agreement with CTC ¹	\$ 3,334	\$ 3,288
Personnel expense	3,908	2,134
Other	2,410	3,011
General and administrative expense	\$ 9,652	\$ 8,433

¹ See Note 23.

19. INTEREST AND OTHER FINANCING CHARGES

Interest and other financing charges are comprised of the following:

For the year ended December 31,	2015	2014
Interest on Class C LP Units ¹	\$ 78,318	\$ 81,643
Interest on debentures payable	6,359	—
Interest on mortgages payable	1,631	652
Interest on Bank Credit Facility	647	355
Standby fees - Bank Credit Facility	487	492
Amortization of financing costs - Bank Credit Facility	151	182
Amortization of debentures payable financing cost	131	—
	87,724	83,324
Capitalized interest	(390)	(333)
Interest and other financing charges	\$ 87,334	\$ 82,991

¹ Paid or payable to CTC.

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20. CHANGES IN WORKING CAPITAL AND OTHER

Changes in working capital are comprised of the following:

For the year ended December 31,	2015	2014
Changes in working capital and other		
Tenant and other receivables	\$ 7,838	\$ (9,653)
Other assets	1,972	3,176
Other liabilities	(340)	8,701
Changes in working capital and other	\$ 9,470	\$ 2,224

21. SEGMENTED INFORMATION

CT REIT has one reportable segment, which comprises the ownership and operation of primarily retail investment properties located in Canada.

22. COMMITMENTS AND CONTINGENCIES

CT REIT has agreed to indemnify, in certain circumstances, the trustees and officers of CT REIT and its subsidiaries.

As at December 31, 2015, CT REIT has obligations for approximately \$63,070 (December 31, 2014 – \$18,530) in future payments for the committed acquisitions and the completion of developments which are expected to be incurred in 2016. Included in the commitments are \$58,208 to CTC.

23. RELATED-PARTY TRANSACTIONS

In the normal course of operations, CT REIT enters into various transactions with related parties that have been measured at amounts agreed to between the parties and are recognized in the consolidated financial statements.

(a) Arrangements with CTC

Services Agreement

Under the Services Agreement, CTC provides the REIT with certain administrative, legal, financial, information technology, internal audit and other support services as may be reasonably required from time to time (the “Services”). CTC provides these Services to the REIT on a cost recovery basis pursuant to which CT REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Services, plus applicable taxes. There was a fixed maximum fee not to exceed \$3,334 for the year ended December 31, 2015. The Services Agreement’s initial term ended on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated. The Services Agreement has been renewed for 2016, and CTC will provide such Services on a cost recovery basis.

Property Management Agreement

Under the Property Management Agreement, CTC provides the REIT with customary property management services (the “Property Management Services”). CTC agreed to provide Property Management Services to the REIT on a cost recovery basis pursuant to which the REIT reimburses CTC for all costs and expenses incurred by CTC in connection with providing the Property Management Services, plus applicable taxes. There was a fixed maximum fee not to exceed \$2,336 for the year ended December 31, 2015. The Property Management Agreement’s initial term ended on December 31, 2015 and is renewable for further one year terms thereafter, unless otherwise terminated.

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The Property Management Agreement has been renewed for 2016, and CTC will provide such Services on a cost recovery basis.

(b) Transactions and balances with related parties

Transactions with CTC are comprised of the following, excluding acquisition and intensification activities with CTC which are contained in Note 3:

For the year ended December 31,	2015	2014
Rental revenue	\$ 361,873	\$ 332,212
Property Management and Services Agreement expense	5,670	5,621
Distributions on Units	39,673	38,877
Distributions on Class B LP Units ¹	64,813	58,971
Interest expense on Class C LP Units ²	78,318	81,643

¹ Includes distributions deferred at the election of the holders of the Class B LP Units

² Includes interest of \$125 (2014 - \$nil) for the bridge loan received for the period from date that the Series 1 Class C LP Units was redeemed (June 1, 2015) to date of the issuance of the debentures (June 9, 2015).

The net balance due to CTC is comprised of the following:

	December 31, 2015	December 31, 2014
Tenant and other receivables	\$ (893)	\$ (8,505)
Class C LP Units	1,686,968	1,847,279
Amounts payable on Class C LP Units	75,093	75,263
Loans receivable in lieu of payments on Class C LP Units	(68,805)	(68,425)
Other liabilities	4,396	6,023
Distributions payable on Units and Class B LP Units ¹	11,115	8,908
Loans receivable in lieu of distributions on Class B LP Units	(2,106)	(565)
Net due to CTC	\$ 1,705,768	\$ 1,859,978

¹ Includes distributions deferred at the election of the holders of the Class B LP Units.

(c) Compensation of executives and independent trustees

The remuneration of key management personnel including the chief executive officer, chief financial officer and the trustees who were not employees or officers of the REIT or any of its affiliates, is as follows:

For the year ended December 31,	2015	2014
Salaries and short-term employee benefits	\$ 3,595	\$ 2,226
Unit-based awards ¹	783	336
Total	\$ 4,378	\$ 2,562

¹ Unit-based awards, as described in Note 15, includes (gain) loss adjustments as a result of the change in the fair market value of the Units of \$77 (2014 - \$285).

The remuneration of management consists principally of base salary, short-term cash incentives and long-term incentives (in the form of unit-based awards). The remuneration is determined by CT REIT's Board of Trustees, on the recommendation of the Governance, Compensation and Nominating Committee.

The compensation of trustees, who were not employees or officers of CT REIT or any of its affiliates, consists of an annual retainer and meeting fees.

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value of financial instruments

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs: Are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: Are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: Are unobservable inputs for the asset or liability.

The fair value of the Class C LP Units is determined by discounting contractual principal and interest payments at estimated current market interest rates for the instrument. Current market interest rates are determined with reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risks.

The fair value of the Class C LP Units, debentures payable and mortgages payable at December 31, 2015, is \$1,747,717, \$346,120 and \$60,940 respectively. The fair value measurement of the Class C LP Units, debentures payable and mortgages payable is based on Level 2 inputs. The significant inputs used to determine the fair value of the Class C LP Units, debentures payable and mortgages payable are interest rates, interest rate volatility, and credit spreads. There have been no transfers during the period between levels.

Financial assets consist of cash and cash equivalents, tenant and other receivables, and deposits, which are classified as loans and receivables and carried at amortized cost. Financial liabilities, other than those discussed in the preceding paragraph, consist of other liabilities and distributions payable, which are classified as other liabilities and carried at amortized cost, except for DUs, RUs and PUs which are included in other liabilities and carried at fair value. The carrying amounts approximate their fair value due to their short-term nature.

(b) Financial risk management

In the normal course of business, CT REIT has exposure to risks from its use of financial instruments. CT REIT is exposed to liquidity and credit risk in connection with its financial instruments. Financial risk management policies are established for CT REIT to identify and analyze the risks faced by CT REIT, to set acceptable risk tolerance limits and controls and to monitor risks and adherence to limits. CT REIT is not exposed to significant currency or market risk arising from financial instruments. Additionally, CT REIT's exposure to interest rate changes is limited as a significant portion of its indebtedness is at fixed interest rates. Exposure to interest rate changes is dependent on the extent to which CT REIT has short term borrowings under its Bank Credit Facility, any new debt is issued or assumed on acquisitions, new series of Class C LP Units are issued to finance future real estate transactions or any existing Class C LP Units being re-priced or redeemed, as all are market dependent (see Note 8).

Liquidity risk

Liquidity risk is the risk that CT REIT will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. CT REIT's approach to managing liquidity is to ensure that it has sufficient liquidity available through cash, assets readily convertible to cash and committed bank lines of credit to support its monthly cash distributions to Unitholders, meet operating and strategic plan requirements and meet unexpected financial challenges. CT REIT has in place a leverage and liquidity policy to manage its exposure to liquidity risk.

Management has identified key financial credit metric ratios and calculates these ratios in a manner to approximate the methodology of debt rating agencies. Management monitors these metrics against industry-accepted targets to maintain investment-grade ratings from two credit rating agencies.

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CT REIT uses a detailed consolidated cash flow forecast model to regularly monitor its near-term and longer-term cash flow requirements, which assists in optimizing its cash distributions to Unitholders and evaluating longer-term funding strategies.

CT REIT has access to the following financing sources to ensure that the appropriate level of liquidity is available to meet its monthly distributions and strategic objectives: committed bank lines totaling \$200,000, direct access to debt and equity markets subject to consent from CTC, and contributions from CTC to the extent cash flows from property operations are not sufficient.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from CT REIT's tenants and from investment securities counterparties. Credit risk arises from the possibility that CT REIT's tenants may experience financial difficulty and be unable to meet their lease obligations. CTC is CT REIT's most significant tenant and will be for the foreseeable future with Canadian Tire Retail stores and the distribution centres. CT REIT's revenues will be dependent on the ability of CTC to meet its rent obligations and CT REIT's ability to collect rent from CTC.

CT REIT has a Securities and Counterparty Risk Management Policy in place for management of counterparty risk related to investing activity. The overall credit risk compliance mechanisms established in this policy include credit rating requirements, approval authorities, counterparty limits, notional limits, term to maturity and portfolio diversification requirements. CT REIT limits its exposure to credit risk by investing only in highly liquid and rated term deposits, bankers' acceptances or other approved securities and only with highly rated financial institutions and government counterparties.

Interest rate risk

Interest rate risk is the potential for financial loss arising from increases in interest rates. CT REIT has minimal exposure to interest rate changes as the initial rate on the Class C LP Units is at fixed interest rates and CT REIT currently has \$nil (2014 - \$78,000) in short-term borrowings outstanding under its Bank Credit Facility.

25. CAPITAL MANAGEMENT AND LIQUIDITY

CT REIT's objectives when managing capital are to ensure access to capital and sufficient liquidity is available to support ongoing property operations, developments and acquisitions while generating reliable, durable and growing monthly cash distributions on a tax-efficient basis to maximize long-term Unitholder value.

The definition of capital varies from entity to entity, industry to industry and for different purposes. CT REIT's strategy and process for managing capital is driven by requirements established under the Declaration of Trust, the Trust Indenture dated June 9, 2015 pursuant to which the Series A and B unsecured debentures were issued, and the Bank Credit Facility.

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The following schedule details the capitalization of CT REIT:

	December 31, 2015	December 31, 2014
Liabilities		
Class C LP Units	\$ 1,686,968	\$ 1,847,279
Mortgages payable	60,129	58,494
Debentures payable	347,948	—
Bank Credit Facility	—	78,000
Equity		
Unitholders' equity	1,037,209	982,588
Non-controlling interests	1,176,154	1,019,601
Total	\$ 4,308,408	\$ 3,985,962

CT REIT's Class C LP Units have a fixed, cumulative, preferential cash distribution, if, as and when declared by the board of directors of the GP, beginning on October 23, 2013 and ending, for each series, on the date set out in the Initial Fixed Rate Period for such series, which is payable monthly at an annual distribution rate for each series.

Under the Declaration of Trust, the Trust Indenture and the syndicated bank credit agreement, key financial covenants are reviewed on an ongoing basis by management to monitor compliance with the agreements. The key financial covenants for CT REIT are as follows:

- a requirement to maintain, at all times:
 - a specified maximum ratio of total indebtedness of CT REIT (plus the aggregate par value of the Class C LP Units) to gross book value of assets
 - a specified maximum ratio of total secured indebtedness of CT REIT (plus the aggregate par value of the Class C LP Units) to gross book value of assets
 - a minimum Unitholders' equity
 - a ratio of unencumbered assets to unconsolidated unsecured indebtedness
 - a specified minimum debt service coverage ratio defined as earnings before interest and taxes as a percentage of interest expense, which for greater clarity includes payments on the Class C LP Units

As at December 31, 2015, CT REIT was in compliance with all of its financial covenants. Under these financial covenants, CT REIT has sufficient flexibility to fund business growth and maintain or amend distribution rates within its existing distribution policy.

CT REIT's strategy is to satisfy its liquidity needs using cash flows generated from operating activities and cash provided by financing activities. Rental income, recoveries from tenants, interest and other income, draws on the Bank Credit Facility and further issuance of debt and equity are CT REIT's principal sources of liquidity used to pay operating expenses, distributions, debt service, and recurring capital and leasing costs in its investment property portfolio.

The principal liquidity needs for periods beyond the next year are for Unit distributions, scheduled expiry of the initial fixed rate period on Class C LP Units and capital expenditures. CT REIT's strategy is to meet these needs through cash flows generated from operating activities and further issuance of debt and equity.

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The following table presents the contractual maturities of CT REIT's financial liabilities:

	Payments Due by Period						
	Total	2016	2017	2018	2019	2020	2021 and thereafter
Class C LP Units ¹	\$ 1,686,968	\$ 200,000	\$ 70,418	\$ —	\$ —	\$ 216,550	\$ 1,200,000
Payments on Class C LP Units ¹	990,665	71,772	68,007	67,401	67,401	61,917	654,167
Debentures payable	350,000	—	—	—	—	—	350,000
Interest on debentures payable	94,820	11,332	11,332	11,332	11,332	11,332	38,160
Mortgages payable	60,023	4,074	1,240	17,083	37,626	—	—
Other liabilities	24,636	23,155	1,481	—	—	—	—
Interest on mortgages payable	11,497	3,318	3,246	2,701	2,232	—	—
Distributions payable ²	10,745	10,745	—	—	—	—	—
Payable on Class C LP Units, net of loans receivable	6,288	6,288	—	—	—	—	—
TOTAL	\$3,235,642	\$ 330,684	\$ 155,724	\$ 98,517	\$ 118,591	\$ 289,799	\$ 2,242,327

¹Assume redemption on expiry of initial fixed rate period for each series.

²On Units and Class B LP Units.

26. SUBSEQUENT EVENTS

The Initial Fixed Rate Period of the Series 2 Class C LP Units expires on May 31, 2016. CT REIT has delivered a notice of redemption to CTC, the holder of such Class C LP Units. As a result, this series of Class C LP Units will either be redeemed or will have their rate reset, in either case effective May 31, 2016.

During February 2016, CT REIT completed three investment property acquisitions from CTC. The total purchase price of approximately \$45,450 was fully satisfied by issuances of Class B and Class C LP Units.