Edgefront Real Estate Investment Trust

Consolidated Financial Statements

December 31, 2014 and 2013

November 18, 2015

Independent Auditor's Report

To the Unitholders of Edgefront Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Edgefront Real Estate Investment Trust and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of income (loss) and comprehensive income (loss), changes in unitholders' equity and cash flows for the years then ended, and the related notes, which comprise 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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Edgefront Real Estate Investment Trust and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Restatement of financial statements
Without modifying our opinion, we draw attention to Note 20 to the consolidated financial statements as at December 31, 2014 and December 31, 2013 and for the years then ended which indicates that these consolidated financial statements have been restated from those which we originally reported on March 11, 2015 and more extensively describes the reasons for the restatement.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Edgefront Real Estate Investment Trust

Consolidated Statements of Financial Position

	December 31, 2014 $ (restated - note 20)	December 31, 2013 $
Non-Current Assets		
Investment properties (notes 3 and 4)	117,070,000	7,140,000
Other non-current asset	14,000	14,000
Deferred tax assets, net (note 17)	21,802	-
	117,105,802	7,154,000
Current Assets		
Cash and cash equivalents (note 2)	428,512	681,636
Tenant and other receivables	706,395	-
Prepaid expenses	26,357	22,441
Deposits (notes 3 and 6)	100,000	200,000
Other current assets (note 3)	-	573,907
	1,261,264	1,477,984
Total Assets	118,367,066	8,631,984
Non-Current Liabilities		
Mortgages payable (note 7)	2,864,623	3,087,154
Revolving credit facility (note 8)	54,393,110	-
Unit options (note 12)	99,000	-
Class B LP units (note 9)	673,200	-
	58,029,933	3,087,154
Current Liabilities		
Current portion of mortgage payable (note 7)	232,957	224,437
Distributions payable	379,373	-
Accounts payable and accrued liabilities	1,309,152	714,652
	1,921,482	939,089
Total Liabilities	59,951,415	4,026,243
Equity		
Capital Stock (note 10)	-	4,947,451
Unitholders' equity (note 10)	53,405,456	-
Contributed surplus	-	271,000
Retained earnings (deficit)	5,010,195	(612,710)
Total Unitholders' Equity	58,415,651	4,605,741
Total Liabilities and Unitholders' Equity	118,367,066	8,631,984

Commitments (note 14)

On behalf of the Board:

"Cody Church" Trustee

"Robert Dickson" Trustee

Edgefront Real Estate Investment Trust

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

	For the year ended December 31, 2014 $ (restated - note 20)	December 31, 2013 $
Net rental income		
Property revenue	8,588,356	627,308
Property expenses	(1,559,360)	(285,725)
Net rental income	7,028,996	341,583
General and administrative expense (notes 16 and 18)	(1,175,271)	(784,083)
Transaction costs	-	(245,227)
Fair value adjustment of investment properties (note 4)	5,340,065	438,900
Fair value adjustment of class B LP units (note 9)	10,800	-
Fair value adjustment of unit options (note 12)	(67,000)	-
	11,137,590	(248,827)
Finance income (expense)		
Interest income	1,176	23,091
Interest expense (notes 7 and 8)	(1,909,074)	(97,199)
Distributions on Class B LP Units (note 9)	(55,457)	-
	(1,963,355)	(74,108)
Income (loss) before taxes	9,174,235	(322,935)
Deferred income taxes (note 17)	21,802	-
Net income (loss) and comprehensive income (loss) for the year	9,196,037	(322,935)

Edgefront Real Estate Investment Trust

Consolidated Statements of Changes in Unitholders' Equity

	Unit Capital $ (restated - note 20)	Contributed Surplus $	Retained Earnings (Deficit) $ (restated - note 20)	Total $ (restated - note 20)
Balance – January 1, 2014	4,947,451	271,000	(612,710)	4,605,741
Units issued for cash (note 10)	17,500,000	-	-	17,500,000
Unit issue costs (note 10)	(1,386,868)	-	-	(1,386,868)
Units issued as acquisition consideration (notes 3, and 10)	32,300,000	-	-	32,300,000
Net income for the year	-	-	9,196,037	9,196,037
Common shares exchanged for Class B LP Units (note 9)	(580,000)	-	-	(580,000)
Distributions	-	-	(3,708,132)	(3,708,132)
Issue of units under distribution reinvestment plan (note 11)	73,917	-	-	73,917
Issue of units to Manager (note 18)	489,081	-	-	489,081
Issue of units to trustees (note 18)	61,875	-	-	61,875
Fair value adjustment of Class B LP Units exchanged for common shares (note 9)	-	-	(104,000)	(104,000)
Fair value adjustment on conversion of share options to unit options (note 12)	-	(271,000)	239,000	(32,000)
Balance – December 31, 2014	53,405,456	-	5,010,195	58,415,651

	Unit Capital $	Contributed Surplus $	Retained Deficit $	Total $
Balance – January 1, 2013	4,947,451	271,000	(289,775)	4,928,676
Net loss for the year	-	-	(322,935)	(322,935)
Balance – December 31, 2013	4,947,451	271,000	(612,710)	4,605,741

Edgefront Real Estate Investment Trust
Consolidated Statements of Cash Flows

	For the year ended December 31, 2014 $ (restated - note 20)	December 31, 2013 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	9,196,037	(322,935)
Adjustment for items not involving cash:		
Asset management fees payable in REIT units (note 18)	712,663	-
Trustee fees payable in REIT units (note 18)	82,500	-
Amortization of deferred financing costs (notes 7 and 8)	118,511	7,827
Straight-line adjustment of ground lease	16,136	-
Fair value adjustment of investment properties (note 4)	(5,340,065)	(438,900)
Fair value adjustment of class B LP units (note 9)	(10,800)	-
Fair value adjustment of unit options (note 12)	67,000	-
Deferred income taxes (note 17)	(21,802)	-
Changes in non-cash working capital		
Tenant and other receivables	(706,395)	-
Prepaid expenses	(3,916)	(15,340)
Deposits (note 6)	(100,000)	(200,000)
Other current assets (note 3)	45,196	(573,907)
Accounts payable and accrued liabilities	98,322	703,610
Changes in other non-current assets	-	(14,000)
Total cash generated by (used in) operating activities	4,153,387	(853,645)
Investing activities		
Acquisition of investment properties (note 3)	(71,450,716)	(6,211,146)
Total cash used in Investing activities	(71,450,716)	(6,211,146)
Financing activities		
Issuance of units (note 10)	17,500,000	-
Unit issuance costs (note 10)	(1,386,868)	-
Proceeds from new financing (note 3)	54,750,000	3,000,000
Financing costs (note 3)	(507,628)	(63,640)
Mortgage principal repayments	(224,436)	(129,651)
Net proceeds from borrowings on (repayments of) the credit facility	167,979	-
Distributions to unitholders	(3,254,842)	-
Total cash provided by financing activities	67,044,205	2,806,709
Change in cash and cash equivalents during the year	(253,124)	(4,258,082)
Cash and cash equivalents - beginning of year (note 2)	681,636	4,939,718
Cash and cash equivalents - end of year (note 2)	428,512	681,636

Supplemental cash flow information (note 19)

1 Organization

Edgefront Real Estate Investment Trust (the REIT) is the successor to Edgefront Realty Corp. (the Corporation) following the conversion of the Corporation to a real estate investment trust. The Corporation was incorporated under the Business Corporation Act (Ontario) on July 30, 2012. On January 6, 2014, shareholders of the Corporation voted to approve a plan of arrangement (the Arrangement) providing for the conversion of the Corporation into the REIT. The Arrangement became effective January 13, 2014. The conversion was accounted for as a continuity of interest, and accordingly, these consolidated financial statements are reflective as if the REIT had always carried on the business formerly carried on by the Corporation. Further details of the Arrangement are contained in the information circular dated December 5, 2013 which can be found at www.sedar.com. All references to "the REIT" within these financial statements refer to Edgefront Real Estate Investment Trust as of January 13, 2014.

The REIT owns and operates commercial real estate properties in Western Canada and Atlantic Canada.

On January 14, 2014, the REIT acquired RW Real Estate Holdings Limited Partnership (RW LP), 1767366 Alberta Limited (RW LP GP), which is the general partner of RW LP, and 1781339 Alberta Limited, which was the sole limited partner of RW LP immediately preceding the purchase of these entities by the REIT. Following the acquisition of these entities by the REIT, the REIT is the sole limited partner of RW LP. On July 15, 2014, the REIT, through its subsidiary RW LP, acquired Triple M Real Estate Ltd. (TMRE), which was amalgamated with 184829 Alberta Ltd., a corporation formed by the REIT on May 28, 2014.

The registered office of the REIT is located at Suite 4050, 525 8 Avenue S.W., Calgary, Alberta, T2P 1G1.

Restatement

These consolidated financial statements have been restated – see note 20.

2 Summary of significant accounting policies

The consolidated financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies applied by the REIT in the preparation of these consolidated financial statements are consistent with those applied for the year ended December 31, 2013 except as noted in the following section "Changes in accounting policies".

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of investment properties, Class B LP units, and unit options, which are presented at fair value. These financial statements are presented in Canadian dollars, which is the functional currency of the REIT. The financial statements were authorized for issue by the board of trustees of the REIT on November 18, 2015.

Principles of consolidation

The consolidated financial statements include the accounts of the REIT and its subsidiaries. Subsidiaries are all entities over which the REIT has control. The REIT controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These statements include the accounts of the REIT, Edgefront REIT Limited Partnership (the LP), Edgefront GP Inc. (the GP), RW LP, RW LP GP, TMRE, 184829 Alberta Ltd., and the Corporation. All inter-entity transactions between the REIT and its subsidiaries have been eliminated in the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of three months or less. As at December 31, 2014, there were no cash equivalents (December 31, 2013 - $554,864). The cash equivalents were comprised of guaranteed investment certificates of a Canadian chartered bank which can be cashed at any time without penalty.

Revenue recognition

The REIT accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenue includes base rents earned from tenants under lease agreements, realty tax and operating cost recoveries, lease termination fees, parking revenue and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Recoveries from tenants are recognized as revenue in the period in which the corresponding costs are incurred. Other revenue is recognized at the time the service is provided. The REIT follows the straight-line method of recognizing rental revenue, whereby the total amount of rental revenue to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable is recorded for the difference, if any, between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant.

Financial instruments

The REIT's financial instruments are initially recognized at fair value. Subsequent measurement depends on the nature and classification adopted for the financial instrument as follows:

Financial instrument	**Classification**	**Measurement**
Cash and cash equivalents	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Other current assets	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Class B LP Units	Other liabilities	Amortized cost
Unit options	Other liabilities	Amortized cost
Revolving credit facility	Other liabilities	Amortized cost
Mortgages payable	Other liabilities	Amortized cost

The REIT determines the fair value measurement based on the following hierarchy:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As of December 31, 2014 and December 31, 2013, investment properties, and the fair values disclosed relating to mortgages payable and the revolving credit facility are considered level 3. There have been no transfers in or out of Level 3 during the reporting period.

Transaction costs relating to financial instruments measured at amortized cost are included in the carrying value of the financial instrument and amortized over the expected useful life of the instrument using the effective interest method. Financial assets are derecognized when contractual rights to the cash flow from the assets expire.

Investment properties

The REIT has selected the fair value method to account for its investment properties. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially recognized at the purchase price, including directly attributable costs. Subsequent to initial recognition, investment properties are carried at fair value. Fair value is determined with reference to external valuations and internal valuations based on the direct income capitalization method, with gains or losses in the fair value of the investment properties recognized in the statement of income (loss) in the period in which they arise. Internal valuations are prepared by the REIT's Chief Financial Officer, and are reviewed and approved by the REIT's Chief Executive Officer.

The application of the direct income capitalization method results in these measurements being classified as Level 3 in the fair value hierarchy. In applying the direct income capitalization method, the stabilized net operating income of each property is divided by a capitalization rate appropriate for the property based on the market in which the property is located and the specific details of the property. Investment properties are valued based on the highest and best use for the properties. For all of the REIT's investment properties, the current use is considered to be the highest and best use. The significant unobservable inputs used in the Level 3 valuation of the investment properties are the capitalization rate and the stabilized net operating income used in the calculations.

Current and deferred income taxes

The REIT currently qualifies as a "mutual fund trust" under the Income Tax Act (Canada). The REIT expects to distribute or designate all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, except for the REIT's subsidiaries, no provision for income taxes payable is required.

The legislation relating to the federal income taxation of a Specified Investment Flow Through (SIFT) trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and the SIFT will be subject to tax on such distributions at a rate this 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). The REIT has reviewed the SIFT rules and has assessed their interpretation and application to the REIT's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the REIT believes that it meets the REIT Conditions and accordingly, no net current income tax expense or deferred income tax expense has been recorded in the consolidated statements of income (loss) and comprehensive income (loss) in respect of the REIT.

However, certain of the REIT's subsidiaries are incorporated companies. For these companies, the REIT follows the asset and liability method of accounting for income taxes. Under this method, income tax is recognized in the consolidated statement of income (loss) and comprehensive income (loss) except to the extent it relates to items recognized in equity, in which case the income tax is also recognized in equity. Current tax assets and liabilities are recognized at the amount expected to be paid or received from tax authorities using rates enacted or substantively enacted at the date of the statement of financial position. Deferred tax assets and liabilities are recognized at the tax rates enacted or substantively enacted at the date of the statement of financial position for the years that an asset is expected to be realized or a liability is expected to be settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be generated and available for the asset to be utilized against.

Unit equity

The REIT is an open-ended real estate investment trust, and units of the REIT are redeemable (puttable) at the option of the REIT`s unitholders. IAS 32 requires puttable instruments to be accounted for as financial liabilities, except where certain conditions as detailed in IAS 32 are met. This exemption is known as the Puttable Instrument Exemption. The units of the REIT meet the Puttable Instrument Exemption criteria and, accordingly, are classified and presented as equity in the consolidated statement of financial position. In addition to the REIT units, Class B LP units may be issued. These units do not qualify for the Puttable Instrument Exemption, and are classified as liabilities on the consolidated statement of financial position. They are remeasured at each reporting date at their amortized cost which approximates fair value.

Unit options are recorded as a liability and compensation expense is recognized over the vesting period (if any) at amortized cost based on the fair value of the unit options.

Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of retained earnings.

Unit-based compensation

The fair value method is used to account for all options issued under Edgefront's unit-based plans. Fair value at the date of grant is established through the application of the Black-Scholes option valuation model. The REIT accounts for the options as an expense over the vesting period of the options using the fair value of the underlying units, as determined by the closing price of the REIT's publicly traded units on the reporting date. Changes in the REIT's liability subsequent to the vesting date of the award and prior to the settlement date, resulting from changes in the market value of the REIT's units, are recorded as a charge to income in the period incurred.

Segment reporting

The REIT owns and operates investment properties in Canada. In measuring performance, the REIT does not distinguish its operations on a geographic or any other basis and accordingly, has a single reportable segment for disclosure purposes.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results may differ materially from these estimates. The estimates and judgements used in determining the recorded amount for asset, liabilities and equity in the financial statements include the following:

Investment Properties

The critical assumptions and estimates used when determining the fair value of investment properties are stabilized net operating income and capitalization rates (see note 4). Management determines fair value internally utilizing financial information, external market data and capitalization rates determined by reference to third party appraisals and reports published by industry experts including commercial real estate brokerages. The REIT also applies judgement in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. The REIT considers all the properties it has acquired to date to be asset acquisitions.

Unit options

The estimates used when determining the fair value of unit-based compensation are the average expected share option holding period, the average expected volatility rate, and the average risk-free interest rate. For vested options, the average expected unit option holding period used is estimated to be half of the life of the option. For unvested options, the average expected unit option holding period is estimated to be the period until the options vest plus half of the period from vesting to expiry. The average expected volatility rate is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected unit option holding period. The average risk-free interest rate is based on government of Canada bonds with terms consistent with the average expected share option holding period.

Changes in accounting policies

The REIT has retrospectively adopted the following new accounting guidance effective January 1, 2014.

IFRS Interpretation Committee (IFRIC) 21, “Levies” (IFRIC 21) provides an interpretation on the accounting for levies imposed by governments. IFRIC 21 clarifies that the obligating event that gives rise to liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of IFRIC 21 did not have any impact on the consolidated financial statements of the REIT.

IAS 32, “Financial Instruments: Presentation” (IAS 32) clarifies requirements for offsetting of financial assets and financial liabilities. The adoption of IAS 32 did not have any impact on the consolidated financial statements of the REIT.

IAS 36, "Impairment of Assets" addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The adoption of IAS 36 did not have any impact on the consolidated financial statements of the REIT.

Other standards, amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not material to the consolidated financial statements of the REIT.

Standards issued but not yet effective

There are pending changes to IFRS which are not yet effective for the period ended December 31, 2014 which have not been applied in the preparation of the REIT's financial statements. The REIT is currently considering the impact that these standards changes will have on the financial statements. The standards issued or amended but not yet effective at December 31, 2014 include the following:

IFRS 7, Financial Instruments: Disclosures, has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. The REIT is currently evaluating the impact of adopting this standard on the consolidated financial statements.

IFRS 9, Financial Instruments, is a new standard which will replace IAS 39, Financial Instruments: Recognition and Measurement, and addresses classification and measurement of financial assets, as well as providing guidance on financial liabilities and derecognition of financial instruments and a single forward-looking expected loss impairment model. IFRS 9 provides a single approach, based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. In November 2013, amendments were made to IFRS 9 which include new hedge accounting guidelines. In July 2014, further amendments were made to include an effective date of annual periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers, is a new standard providing accounting guidance on the recognition, measurement and disclosure of revenue from contracts with customers. IFRS 15 does not apply to contracts within the scope of the standard on leases. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively.

IAS 1, Presentation of Financial Statements, was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated balance sheets and statements of comprehensive income should not be aggregated or disaggregated in a manner that obscures information, and that disaggregation may be required in the statements of comprehensive income in the form of additional subtotals as they are relevant to understanding the entity's financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. The REIT is currently evaluating the impact of adopting this standard on the consolidated financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the REIT.

3 Acquisitions

On July 15, 2014, the REIT acquired 3 industrial properties located in Rycroft, Clairmont (the Rycroft and Clairmont properties collectively, the Northern Mat Properties) and Lethbridge, Alberta (the Triple M Property). The total purchase price for the properties was $36,744,000, which was satisfied with cash generated through new financing secured against the properties and cash generated through a prospectus offering of REIT units.

The impact of acquiring the properties is as follows:

	$
Investment properties acquired	36,744,000
Transaction costs (note 18)	630,589
Net assets acquired	37,374,589
Consideration:	
Cash	17,159,877
Proceeds from new financing secured against the properties	20,350,000
Deferred financing costs – new financing	(135,288)
	37,374,589

On January 14, 2014, the REIT acquired 10 industrial properties located in Western Canada (the RTL Westcan Properties). The purchase price for the RTL Westcan Properties was $68,000,000, of which $34,000,000 was satisfied through the issuance of 17,000,000 REIT units to the vendor at a deemed price per unit of $2.00, which for accounting purposes were recognized at fair value based on a price of $1.90 per unit at the date of issuance, with the remainder settled in cash generated through new financing secured against the RTL Westcan Properties.

The acquisition is considered a reverse take-over under securities regulations due to the vendors receiving units totalling more than 50 percent of the outstanding units of the REIT as consideration for the acquisition of the properties. For accounting purposes, the acquisition has been accounted for as an asset acquisition.

In the context of a reverse takeover, the REIT concluded that it is the accounting acquirer, as it is the entity whose former management dominates the combined entity. Furthermore, the composition of the REIT's board, in conjunction with the REIT's nominating agreement, allow the REIT to nominate the majority of the members of the governing body of the combined entity, and the vendor is required to support the REIT's nominees.

The impact of acquiring the properties is as follows:

	RTL Westcan Properties $ (restated - note 20)
Investment properties acquired	66,300,000
Transaction costs (note 18)	915,346
Working capital acquired	(235,834)
Net assets acquired	66,979,512
Consideration:	
Cash	777,178
Issuance of REIT units to vendor	32,300,000
Proceeds from new financing secured against the RTL Westcan Properties	34,400,000
Deferred financing costs – new mortgage financing	(497,666)
	66,979,512

A total of $728,711, representing $403,385 of acquisition costs, $125,326 of financing costs, and a $200,000 deposit was advanced in connection with the RTL Westcan Properties acquisition in the year ended December 31, 2013, and was recorded in the REIT's statement of financial position at December 31, 2013 under other current assets and deposits.

An amount of $300,000 has been placed in escrow by the vendors of the RTL Westcan Properties to fund anticipated environmental monitoring and sampling costs at those RTL Westcan Properties where environmental consultants have recommended monitoring and sampling programs (the Monitored Properties). The funds will be held in escrow for two years, after which time they will be released to the REIT provided that the REIT continues to own the Monitored Properties and provided that environmental consultants do not conclude that monitoring and sampling may be discontinued at any of the Monitored Properties. Should environmental consultants determine that, at the end of the two year escrow period, monitoring and sampling activities at any of the Monitored Properties may be discontinued, or if any of the Monitored Properties are sold during the two year escrow period, the REIT will negotiate with the vendors, in good faith, an amount by which the funds to be released to the REIT will be reduced, with any funds not released to the REIT being returned to the vendors. Management is unable to determine the probability that funds will be released to the REIT, nor is management able to quantify the amount of the escrowed funds, if any, that may be released to the REIT. Therefore no amount has been recognized in the consolidated financial statements with respect to the amount held in escrow.

On March 8, 2013, The Corporation acquired the rights in a 66 year ground lease to a property located at 695 University Avenue, Charlottetown, Prince Edward Island (PEI) for a purchase price of $1,148,000. The ground lease commenced May 1, 2006, and has two ten year options to renew. The purchase was funded by the assumption of a mortgage maturing September 1, 2017, with a remaining principal balance at the date of acquisition of $497,055, with the remainder of the purchase price settled in cash, net of closing adjustments. On closing, the Corporation received a credit equal to the amount required to buy down the mortgage interest rate to its estimated fair value of 4.0%, and the interest rate was bought down to 4.0% at closing.

On May 1, 2013, the Corporation acquired an office property located in Miramichi, New Brunswick (Miramichi), for a purchase price of $5,465,000. The purchase price was funded with the proceeds of new mortgage financing in the amount of $3,000,000 with a ten year term, a 12 year amortization period, and bearing interest at a rate of 3.74%, with the remainder of the purchase price funded from cash on hand.

The impact of acquiring the properties is as follows:

	Miramichi $	PEI $
Investment property acquired	5,465,000	1,148,000
Transaction costs	56,537	31,563
Assumption of mortgage	-	(497,055)
Deferred financing costs on assumed mortgage	-	11,667
Working capital acquired (prepaid ground lease rent)	-	7,101
Net assets acquired	5,521,537	701,276
Consideration paid:		
Cash on hand	2,573,510	701,276
Proceeds from new mortgage financing	3,000,000	-
Deferred financing costs – new mortgage financing	(51,973)	-
	5,521,537	701,276

4 Investment properties

	December 31, 2014 $ (restated – note 20)	December 31, 2013 $
Balance, beginning of period	7,140,000	-
Acquisition of investment properties, including acquisition costs of $1,545,935 (2013: $88,100)	104,589,935	6,701,100
Fair value adjustment	5,340,065	438,900
Balance, end of period	117,070,000	7,140,000

The fair value of the investment properties at December 31, 2014 was determined primarily through the application of the direct capitalization method, with certain adjustments for excess land. The key valuation metrics used in determining the fair value of the investment properties are as detailed below:

	December 31, 2014	December 31, 2013
Weighted average capitalization rate	7.40%	6.67%
Range of capitalization rates	6.25% - 11.0%	6.25% - 6.75%
Stabilized net operating income	8,468,000	476,000

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at December 31, 2014, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $3,750,000 in the determination of the fair value of the investment properties. A 0.25% decrease in the weighted average capitalization rate would result in an increase of approximately $4,000,000 in the determination of the fair value of the investment properties.

The calculation of the fair value of investment properties using the direct income capitalization method results in the measurement being classified as Level 3 in the fair value hierarchy. Significant unobservable inputs used in the Level 3 valuation of the investment properties are the capitalization rate and the stabilized net operating income applied in the valuations. Generally, an increase in stabilized net operating income or a decrease in capitalization rates will result in an increase in the fair value of investment properties. Conversely, a decrease in stabilized net operating income or an increase in capitalization rates will generally result in a decrease in the fair value of investment properties.

Investment properties with an aggregate fair value of $49,838.229 for the year ended December 31, 2014 (for the year ended December 31, 2013 – $nil) were valued by qualified external valuation professionals.

5 Tenant and other receivables

The REIT leases industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining term are as follows:

	December 31, 2014 $
2015	9,236,685
2016 – 2019	36,524,641
2020 – 2029	58,620,790
	104,382,116

6 Deposits

At December 31, 2014, a $100,000 refundable deposit against the purchase of an investment property was held in trust by the vendor's lawyers in accordance with a conditional agreement of purchase and sale entered into by the REIT and a vendor.

At December 31, 2013, a $200,000 deposit towards the purchase of the RTL Westcan investment properties was held in trust by the REIT's lawyers in accordance with the terms of the purchase and sale agreement. The acquisition subsequently closed on January 14, 2014 and the deposit was applied to the purchase price.

7 Mortgages payable

The mortgages payable are secured by charges against the PEI and Miramichi investment properties. At December 31, 2014, deferred financing costs of $45,386 are netted against mortgages payable (December 31, 2013 - $55,813). The weighted average interest rate, including deferred financing costs, on the mortgages payable is 4.07% and the weighted average term to maturity is 7.49 years. Interest expense recorded in the period includes the amortization of deferred financing costs relating to mortgages payable in the amount of $10,427 (2013 - $7,827)

	December 31, 2014 $	December 31, 2013 $
Mortgages payable	3,142,966	3,367,404
Less deferred financing costs	(45,386)	(55,813)
	3,097,580	3,311,591
Less current portion	(232,957)	(224,437)
	2,864,623	3,087,154

	Scheduled repayments $	Principal Maturities $	Total $
2015	232,957	-	232,957
2016	241,800	-	241,800
2017	245,901	414,040	659,941
2018	239,685	-	239,685
2019	248,733	-	248,733
Thereafter	922,869	596,981	1,519,850
Total	2,131,945	1,011,021	3,142,966

8 Revolving credit facility

On January 14, 2014, through the acquisition of RW LP, the REIT assumed the rights and obligations of a revolving credit facility (the Credit Facility). On July 15, 2014, the Credit Facility was amended to increase the revolving credit limit under the Credit Facility to $52,500,000 and to add a $7,500,000 term facility. The amended Credit Facility matures July 15, 2019.

The Credit Facility is secured against the 10 RTL Westcan Properties, the Northern Mat Properties and the Triple M Property and allows the REIT to draw against the facility in the form of prime advances, bankers' acceptance advances, or fixed rate and term advances. Prime rate advances bear interest at 125 basis points per annum over the Canadian prime borrowing rate. Banker's acceptance advances bear interest at 225 basis points per annum over the floating bankers' acceptance rate. Total financing costs in the amount of $497,666 were incurred in connection with the establishment of the Credit Facility, and financing costs in the amount of $135,288 were incurred in connection with the amendment to the Credit Facility.

At December 31, 2014, a total of $54,917,979 was drawn against the Credit Facility. Of the total drawn, $50,350,000 was drawn in the form of fixed rate and term borrowings, $3,300,000 was drawn in the form of bankers' acceptance borrowings, at an interest rate, including the applicable 2.25% stamping fee, of 3.53%, and $1,267,979 was drawn in the form of prime rate borrowings. Of the fixed rate and term borrowings, $30,000,000 bears interest at a rate of 3.90% and matures on January 10, 2019, and $20,350,000 bears interest at a rate of 3.63% and matures on July 15, 2019.

At December 31, 2014, deferred financing costs of $524,869 (2013 - $nil) are netted against the Credit Facility. Interest expense recorded in the year includes the amortization of deferred financing costs relating to the Credit Facility in the amount of $108,084 (2013 - $nil).

9 Class B LP units

Pursuant to the Arrangement which was completed on January 13, 2014, 7,200,000 common shares of the Corporation were exchanged for Class B LP units of the LP on the basis of 1 Class B LP Unit for every 20 common shares of the Corporation, resulting in 360,000 Class B LP Units being issued at a value of $580,000, which represented the carrying value of these units at the date of the Arrangement.

The Class B LP Units are exchangeable, on a one for one basis, for Units at the option of the holder, and have economic and voting rights equivalent, in all material respects, to Units.

The following table summarizes the changes in Class B LP Units for the year ended December 31, 2014.

	Class B LP Units	Amount $
December 31, 2013	-	-
Issuance of Class B LP Units – Plan of Arrangement	360,000	580,000
Fair value adjustment on initial recognition	-	104,000
Fair value adjustment during the year	-	(10,800)
December 31, 2014	360,000	673,200

During the year ended December 31, 2014, distributions in the amount of $55,457 (2013 - $nil) were declared payable to holders of Class B LP Units. These amounts have been recognized as finance expense in the consolidated statement of income (loss) and comprehensive income (loss). The fair value adjustment on initial recognition has been recognized in retained earnings (deficit) in the consolidated statement of financial position.

10 Unitholders' equity

The REIT is authorized to issue an unlimited number of Units and Special Voting Units. Each Unit entitles the holder to a single vote at any meeting of unitholders and entitles the holder to receive a pro-rata share of all distributions and in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. The Units are redeemable at any time at the demand of the holders to receive a price per Unit as determined by the REIT's declaration of trust. Among other conditions for redemption, the total amount payable by the REIT in respect of Units surrendered for redemption shall not exceed $50,000 in any one calendar month.

The declaration of trust provides for the issuance of Special Voting Units which have no economic entitlement in the REIT or in the distribution of assets of the REIT, but are used to provide voting rights proportionate to the votes of the Units to holders of securities exchangeable into Units, including Class B LP Units.

The following table presents the changes in common shares and Units for the year ended December 31, 2014:

	Shares	Units	Amount $ (restated - note 20)
Share Capital of the Corporation, January 1, 2013 and December 31, 2013	55,000,000	-	4,947,451
Common Shares exchanged for REIT Units (One REIT unit for every 20 common shares)	(47,800,000)	2,390,000	-
Common Shares exchanged for Class B LP Units (One Class B LP unit for every 20 common shares) (note 9)	(7,200,000)	-	(580,000)
Units issued as consideration, purchase of Acquisition Properties (note 3)	-	17,000,000	32,300,000
Units issued for cash, net of $1,386,868 of issuance costs	-	8,750,000	16,113,132
Units issued as consideration for management services	-	248,698	489,081
Units issued as consideration for trustee services	-	31,730	61,875
Units issued under distribution reinvestment plan	-	39,653	73,917
Unitholders' equity, December 31, 2014	-	28,460,081	53,405,456

On January 14, 2014, the REIT issued 17,000,000 REIT units to the vendor of the RTL Westcan Properties as partial satisfaction of the purchase price for the properties acquired, with the remainder of the purchase price settled with $34,000,000 in cash. The REIT Units issued as partial consideration for the acquisition were recognized at fair value based on a price of $1.90 per unit at the date of issuance.

On July 15, 2014, 8,750,000 REIT units were issued at $2.00 per unit in a prospectus offering. Gross proceeds of the offering were $17,500,000, and net proceeds were $16,113,132.

11 Distribution reinvestment plan

The REIT adopted a distribution reinvestment plan (DRIP) on February 20, 2014, pursuant to which resident Canadian holders of not less than 1,000 units are entitled to elect to have all or some of the cash distributions of the REIT automatically reinvested in additional units at a price per unit calculated by reference to the weighted average of the trading price for the Units on the relevant stock exchange or marketplace for the five trading days immediately preceding the relevant distribution date. Eligible unitholders who so elect will receive a bonus distribution of units equal to 3% of each distribution that was reinvested by them under the DRIP. For the year ended December 31, 2014, 39,653 units (2013 – nil) were issued under the DRIP for a stated value of $73,917 (2013 - $nil).

12 Unit options

The REIT has adopted a unit-based compensation plan (the Plan) effective January 13, 2014. Under the terms of the Plan, the Board of Trustees may from time to time, in its discretion, grant options to purchase units in the REIT to trustees, officers and employees of the REIT and its affiliates, agents in connection with equity offerings and other consultants. The maximum number of options that may be reserved under the plan is 10% of the outstanding units of the REIT.

Awards of options are fair valued applying the Black-Scholes option valuation method. The average expected volatility rate used in the valuation is estimated based on the historical volatility of comparable companies over a period of time approximating the average expected share option holding period. The average risk-free interest rate used is based on government of Canada bonds with terms consistent with the average expected share option holding period. For vested options, the average expected unit option holding period used is estimated to be half of the life of the option. For unvested options, the average expected unit option holding period is estimated to be the period until the options vest plus half of the period from vesting to expiry.

As at December 31, 2013, 5,740,000 share options which had been granted to officers, trustees, and the REIT's agents in connection with the Corporation's initial public offering were outstanding. On January 13, 2014, pursuant to the Plan of Arrangement entered into between the Corporation and the REIT, shareholders exchanged common shares of the Corporation for units of the REIT on the basis of 1 REIT unit for every 20 common shares of the Corporation. On January 13, 2014, options were also exchanged on a 20 for 1 basis, with the 5,740,000 share options being exchanged for 287,000 unit options which have terms identical to the share options, and are fully vested. As part of this exchange of share options for unit options, the unit options were fair valued as at January 13, 2014, with the fair value adjustment on conversion of $32,000 being recorded through equity. On April 5, 2014, 5,000 of these unit options, which were held by a former director of the Corporation, were cancelled. On November 22, 2014, 12,000 of these unit options expired. As at December 31, 2014, 270,000 of these unit options remained outstanding.

These unit options expire November 22, 2017 and have an exercise price of $2.00. Fair value was computed as at January 13, 2014 using a weighted average expected unit option life of 1.93 years, a volatility rate of 25%, a risk free interest rate of 1.04% and a distribution yield of 8.42% based on the trading price at that date. At December 31, 2014, fair value was calculated using an expected unit option life of 1.45 years, a volatility rate of 25%, a risk free interest rate of 1.00% and a distribution yield of 8.56% based on the trading price at that date.

On July 16, 2014, 850,000 unit options were issued to officers and directors of the REIT at an exercise price of $2.00 per unit, expiring July 16, 2019. These unit options vest one third on the first anniversary of the grant date, and one third each of the second and third anniversaries of the grant date. The total fair value of the options on the grant date and on December 31, 2014 was $298,875 and $258,904, respectively.

The fair value of these unit options as at December 31, 2014 was determined using an expected unit option life of 3.04 years, a weighted average volatility rate of 45%, a risk free interest rate of 1.06 percent and a distribution yield of 8.56% based on the trading price on that date.

For the year ended December 31, 2014, the number of options outstanding changed as follows:

	Number of share options	**Number of unit options**	**Weighted average exercise price $**
Balance, January 1, 2014	5,740,000	-	2.00
Exchange of share options for unit options	(5,740,000)	287,000	2.00
Options cancelled	-	(17,000)	2.00
Options granted	-	850,000	2.00
Total	-	1,120,000	2.00

Of the 1,108,000 unit options outstanding at December 31, 2014, 270,000 had vested and were exercisable (December 31, 2013 – 287,000).

13 Financial instruments

Fair Value
The REIT's financial instruments consist of cash and cash equivalents, tenant and other receivables, other receivables (included in other current assets), and accounts payable and accrued liabilities, the fair value of which approximates carrying values due to the short-term nature of these instruments. The fair value of the mortgages payable at December 31, 2014 is approximately $3,260,000.

The fair value of prime rate and bankers' acceptance advances under the Credit Facility approximates carrying value due to the short-term nature of these instruments. The fair value of the fixed rate and term borrowings under the Credit Facility at December 31, 2014 is approximately $49,810,063.

The fair value of the mortgages payable and the fixed rate and term borrowings under the Credit Facility has been calculated using level 3 inputs by discounting the expected cash flows of each debt using a discount rate based on the Government of Canada benchmark bond yield for instruments of similar maturity, adjusted for the risk profile specific to the REIT and the investment properties. Changes in benchmark bond yields for instruments of similar maturity are applied to the interest rates of the mortgages to maintain an appropriate risk adjustment factor when selecting a discount rate.

Liquidity risk
Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they become due. The REIT manages this risk by ensuring it has sufficient cash and cash equivalents on hand or borrowing capacity to meet obligations as they become due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at December 31, 2014, the REIT had cash and cash equivalents of $428,512 (December 31, 2013 - $681,636), mortgages payable of $3,142,966 (December 31, 2013 - $3,367,404), a revolving credit facility balance of $54,917,979 (December 31, 2013 - $nil) and accounts payable and accrued liabilities of $664,585 (December 31, 2013 - $714,652). The REIT has negative working capital of $660,218 at December 31, 2014 (December 31, 2013 – positive working capital of $538,895), however, the REIT has access to funds under the Credit Facility and expects to generate sufficient cash from operations to satisfy its financial liabilities as they come due. The REIT is not subject to significant liquidity risk.

The contractual maturities and repayment obligations of the REIT's financial liabilities are as follows:

	Accounts payable and accrued liabilities $	Credit Facility principal repayment $	Interest on fixed portion of Credit Facility $	Mortgage payable $	Mortgage interest $	Total $
2015	1,309,152	-	1,908,705	232,957	113,878	3,564,692
2016	-	-	1,908,705	241,800	105,035	2,255,540
2017	-	-	1,908,705	659,941	91,767	2,660,413
2018	-	-	1,908,705	239,685	70,481	2,218,871
2019	-	54,917,979	423,500	248,733	61,433	55,651,645
Thereafter	-	-	-	1,519,850	136,866	1,656,716
Total	1,309,152	54,917,979	8,058,320	3,142,966	579,460	68,007,877

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. There is a risk that the REIT may not be able to renegotiate its mortgage at maturity on terms as favourable as the existing mortgage payable. At December 31, 2014, there was a total of $4,567,979 (2013 - $nil) drawn against the Credit Facility which bears interest at floating bankers' acceptance or Canadian prime rates plus a fixed spread. There is a risk that prevailing interest rates could increase, and those increases could be significant. The REIT mitigates interest rate risk by maintaining reasonable levels of debt to investment property value and aims to structure new debt to stagger the maturities to ensure that the majority of debt does not become due for repayment in any one particular year. The REIT may also convert borrowings under the Credit Facility from floating rate to fixed rate borrowings as part of its interest rate risk management strategy.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a loss to another party by failing to pay for its obligations. The REIT is subject to credit risk with respect to its cash and cash equivalents and tenant and other receivables. The REIT mitigates credit risk by depositing cash with and investing in guaranteed investment certificates of a Canadian schedule I chartered bank and monitoring the bank's credit ratings.

As at December 31, 2014, the REIT had six tenants, with one tenant accounting for approximately 57 percent of the REIT's rental income, resulting in concentration of credit risk. The REIT monitors the credit worthiness of the tenants on an ongoing basis.

14 Commitments

The REIT has a leasehold interest in a property subject to a 66 year land lease which commenced May 1, 2006, and has two ten year options to renew. The land lease provides for annual base rent and additional rent comprised of the property's proportionate share of common area maintenance and property tax expense. The full annual ground lease payment is due in advance in May of each year.

As at December 30, 2014, annual future minimum ground lease payments on account of base rent are as follows:

	2015 $	2016 $	2017 $	2018 $	2019 $	Thereafter $
Minimum annual rent	48,000	52,800	52,800	52,800	52,800	3,476,114

15 Capital management

The REIT defines its capital as its total unitholders' equity net of retained earnings or deficit, mortgages payable, Class B LP Units, and the Credit Facility. The REIT manages its capital to ensure that sufficient funds are available to fund operations, including the identification and acquisition of businesses or assets. The REIT ensures that it has sufficient capital to fund its operations as a going concern, and to identify, analyze, and finance further potential acquisitions. As part of the REIT's strategy to managing its capital, it may adjust the amount of distributions paid to unitholders, issue new units or debt, borrow against the Credit Facility, or repay debt. It is the REIT's current intention to maintain a ratio of debt to gross book value, as defined in the REIT's declaration of trust, of between 50 and 55 percent.

The REIT's Credit Facility contains interest coverage, distribution and loan to value covenants, which non-compliance with would result in an event of default, allowing the lender to demand repayment of amounts outstanding under the Credit Facility. As at December 31, 2014, the REIT was in compliance with all of the financial covenants contained within the Credit Facility.

16 General and administrative expense

General and administrative is comprised as follows:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Annual asset management fees (note 18)	712,663	-
Professional and other fees in connection with the Arrangement	53,208	454,580
Management Compensation and payroll taxes	-	197,208
Trustee Fees	100,400	-
Other professional fees	188,515	41,004
Other	120,485	91,292
	1,175,271	784,083

17 Income tax

The REIT is subject to taxation in Canada on taxable income earned by its investment properties held through Canadian subsidiaries at a rate of approximately 27.72% (December 31, 2013 – 26.78%). A deferred tax asset arises from the loss carry-forwards of the Canadian subsidiary corporations, and the un-deducted balances of eligible capital expenditures for tax purposes. A deferred tax liability arises from the temporary differences between the carrying values and tax values of the investment properties held by the Canadian subsidiary corporations. The items giving rise to the recognition of deferred tax assets and liabilities are presented below:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Deferred tax assets		
Intangible assets	125,837	119,119
Tax losses	50,787	-
Other	22,673	-
	199,297	119,119
Deferred tax liabilities		
Investment properties	177,495	117,737
Other	-	1,382
	177,495	119,119
Deferred tax asset, net	21,802	-

18 Related party transactions

On January 14, 2014, pursuant to an asset management agreement (the Management Agreement) entered into between the REIT and Edgefront Realty Advisors (the Manager), the REIT engaged the Manager to provide management services to the REIT, including providing the services of a chief executive officer and a chief financial officer to the REIT. The Manager is owned by a group including the chief executive officer and chief financial officer of the REIT, who collectively own 50 percent of the Manager, as well as a group which owns or controls a significant number of Units of the REIT.

In performing its obligations under the Management Agreement, the Manager will be entitled to receive the following fees from the REIT or its subsidiaries:

i) An annual asset management fee in the amount of:

0.75% of the gross book value, as defined in the Management Agreement, up to $150 million, to be paid in Units;

0.65% of the gross book value, as defined in the Management Agreement, between $150 million and $300 million, to be paid 50% in Units and 50% in cash; and

0.50% of the gross book value, as defined in the Management Agreement, over $300 million, to be paid 50% in Units and 50% in cash.

ii) An acquisition fee in the amount of 0.50% of the purchase price of any property acquired by the REIT payable in cash on completion of each acquisition.

iii) A construction management fee payable on capital projects in an amount equal to 5% of all hard construction costs incurred on a project, excluding any maintenance capital expenditures. The construction management fee will be paid in cash upon substantial completion of each capital project.

iv) A property management fee, being the fee payable in respect of such services provided by the Manager that is deemed recoverable and recovered from the tenants, payable in cash on a cost recovery basis.

During the year ended December 31, 2014, acquisition fees in the amounts of $523,720 were paid to the manager (2013 - $nil). Annual asset manager fees in the amount of $712,663 were expensed during the year (2013 - $nil) and $489,081 of these fees were settled during the year (2013 - $nil) through the issuance of 248,698 REIT Units to the Manager (2013 – nil) at an average price of $1.97 per unit. Subsequent to year end, 121,183 units at an average price per unit of $1.84 were issued to the manager in settlement of asset management fees for the fourth quarter of the year.

Trustee fees in the amount of $82,500 in respect of annual trustee retainer fees were expensed during the year ended December 31, 2014 (2013 - $nil). Of the total expensed, $61,875 was settled during the year through the issuance of 31,730 REIT Units at a price of $1.95 per unit. Trustee retainer fees in the amount of $20,625 were accrued at December 31, 2014 (December 31, 2014 - $nil). Trustee meeting fees in the amount of $17,900 were expensed and paid in cash during the year ended December 31, 2014 (2013 - $nil).

During the year ended December 31, 2014, cash bonuses totalling $nil (2013 - $190,000) were paid to the REIT's CEO and CFO.

On July 15, 2014, the REIT acquired the Northern Mat and Triple M properties (see note 3) from companies which are controlled by funds associated with TriWest Capital Partners (TriWest). TriWest also controls RTL-Westcan LP, which holds an approximately 38 percent economic and voting interest in the REIT. Three members of TriWest are trustees of the REIT. The transaction was completed for a negotiated purchase price of $36,744,000, which was supported by third party appraisals. The transaction was approved by the REIT's independent Trustees and by a vote of the REIT's Unitholders. The REIT received lease payments related to the Northern Mat and Triple M properties totaling $1,388,905 during the year ended December 31, 2014.

As at December 31, 2014, the amount of $644,567 was recorded as receivable from the vendors of the RTL-Westcan Properties, one of which vendors is RTL-Westcan LP. The receivable relates to costs of remediating an environmental issue which was identified at one of the RTL Westcan Properties prior to the REIT purchasing the properties. The vendors have committed to covering the costs of the remediation.

19 Supplemental cash flow disclosure

The REIT has not paid or received any cash in respect of income taxes. Cash interest paid and received is as follows:

	Year ended December 31, 2014 $	December 31, 2013 $
Cash interest paid	1,836,882	79,336
Cash interest received	6,060	18,227

20 Restatement of previously issued financial statements

The REIT has restated its previously issued financial statements for the year ended December 31, 2014, to adjust for the fair value of the REIT units issued as partial consideration for the acquisition of the RTL Westcan Properties (the Acquisition). There is no impact on cash from operating or financing activities, cash used in investing activities, or total unitholders' equity.

In accordance with IFRS, the REIT units issued in respect of the Acquisition should be measured initially at fair value in accordance with IAS 39. In the original accounting determination, the carrying amount of the REIT units issued as partial consideration for the Acquisition was determined in accordance with IFRS 2 by reference to the fair value of the assets acquired in exchange for the REIT units. The REIT units were therefore recorded in Unitholders' equity at $37,240,000 and the investment properties acquired were recorded at their fair value of $71,240,000. In accordance with IAS39, at initial recognition, the REIT units issued should have been recorded at their fair value of $32,300,000 and the investment properties acquired at $66,300,000. Subsequent to initial recognition, the investment properties should have been revalued to their fair value of $71,240,000, with a fair value adjustment of investment properties in respect of the Acquisition of $4,940,000, net of transaction costs, recognized within net income in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) for the year ended December 31, 2014.

The following table illustrates the impact of the adjustment on the REIT's consolidated statement of financial position:

As at December 31, 2014	As previously reported $	Adjustment $	As restated $
Unitholders' equity	58,345,456	(4,940,000)	53,405,456
Retained earnings / deficit	70,195	4,940,000	5,010,195
Total Unitholders' Equity	58,415,651	-	58,415,651

The following table illustrates the impact of the adjustment on the REIT's consolidated statement of income (loss) and comprehensive income (loss):

For the year ended December 31, 2014	As previously reported $	Adjustment $	As restated $
Fair value adjustment of investment properties	400,065	4,940,000	5,340,065
Net income and comprehensive income	4,256,037	4,940,000	9,196,037

21 Subsequent events

A REIT tenant has commenced court and arbitration proceedings against the REIT and others for breach of contract, alleging certain environmental issues involving, and foundation issues at that tenant's Saskatoon location as well, as an environmental issue at that tenant's Yellowknife property. The tenant is claiming damages in the amount of $2,200,000 and additional unspecified costs. The REIT intends to defend these proceedings if required, and the REIT has numerous arguments available in its defense. At this stage, management does not believe the REIT will be subject to material liability in respect of these claims. Additionally, the REIT is indemnified by third parties concerning the environmental claims of $700,000 involving both properties.

On November 4, 2015, the REIT announced that it had waived due diligence conditions to acquire a property located in Prince George, British Columbia for a purchase price of $7,500,000. The purchase price will be partially satisfied through the issuance of 1,697,369 Class B LP Units, with the remainder of the purchase price to be paid in cash.

On August 25, 2015, the REIT acquired an industrial property located in Calgary, Alberta (the Calgary Property). The Calgary Property was initially recorded at $21,667,312, the fair value of consideration exchanged for the property. Consideration included the issuance of 1,052,632 REIT units to the vendor, $8,377,838 paid in cash, and the assumption of a mortgage with a principal balance of $11,500,000, an interest rate of 3.5%, and a remaining term of seven years. The fair value of the REIT units issued as purchase consideration, on the date of issuance, was determined by the closing price of the REIT units on August 25, 2015 of $1.70.

On August 25, 2015, the REIT placed mortgage debt with an aggregate principal amount of $10,775,000 on the Kelowna and Barrie Properties.

On August 4, 2015, the REIT acquired an industrial property located in Kelowna, British Columbia (the Kelowna Property). The Kelowna Property was initially recorded at $7,380,000, the fair value of consideration paid to the vendor of $3,700,000 in cash and the issuance of 2,000,000 REIT units. The fair value of the REIT units issued as purchase consideration, on the date of issuance, was determined by the closing price of the REIT units on August 4, 2015 of $1.84.

On July 17, 2015, the REIT acquired an industrial property located in Barrie, Ontario (the Barrie Property). The Barrie Property was initially recorded at $7,868,934, the fair value of consideration paid through the issuance to the vendor of 1,000,000 REIT units and 3,470,985 Class B LP Units. The fair value of the REIT units and Class B LP Units issued as purchase consideration, on the date of issuance, was determined by the closing price of the REIT units on July 17, 2015 of $1.76.

On June 23, 2015, the REIT sold an investment property located in Miramichi, New Brunswick, for a selling price of $5,650,000. Net of selling costs and related mortgage debt with a principal amount of $2,570,026 assumed by the purchaser, the REIT received cash proceeds of $2,981,531 on the sale. The sale of the property generated a loss on sale of $133,357.