# Edgefront Real Estate Investment Trust

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2015

# Edgefront Real Estate Investment Trust

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

| | September 30, 2015 $ | December 31, 2014 $ (restated - note 19) |
|---|---|---|
| **Non-current Assets** | | |
| Investment properties (notes 3 and 4) | 149,074,872 | 117,070,000 |
| Other non-current asset | - | 14,000 |
| Deferred income tax assets, net (note 15) | 110,831 | 21,802 |
| | 149,185,703 | 117,105,802 |
| **Current Assets** | | |
| Cash and cash equivalents | 779,721 | 428,512 |
| Tenant and other receivables | 844,825 | 706,395 |
| Prepaid expenses | 132,547 | 26,357 |
| Deposits | 50,000 | 100,000 |
| Other current assets | 281,379 | - |
| | 2,088,472 | 1,261,264 |
| **Total Assets** | 151,274,175 | 118,367,066 |
| **Non-current Liabilities** | | |
| Mortgages payable (note 6) | 21,735,926 | 2,864,623 |
| Revolving credit facility (note 7) | 53,250,874 | 54,393,110 |
| Unit options (note 11) | 120,000 | 99,000 |
| Class B LP units (note 8) | 6,512,675 | 673,200 |
| | 81,619,475 | 58,029,933 |
| **Current Liabilities** | | |
| Current portion of mortgage payable (note 6) | 776,156 | 232,957 |
| Distributions payable | 439,327 | 379,373 |
| Accounts payable and accrued liabilities | 1,588,512 | 1,309,152 |
| Income taxes payable (note 15) | 28,997 | - |
| | 2,832,992 | 1,921,482 |
| **Total Liabilities** | 84,452,467 | 59,951,415 |
| **Equity** | | |
| Unitholders' equity (note 9) | 61,373,566 | 53,405,456 |
| Retained earnings | 5,448,142 | 5,010,195 |
| **Total Unitholders' Equity** | 66,821,708 | 58,415,651 |
| **Total Liabilities and Unitholders' Equity** | 151,274,175 | 118,367,066 |

Commitments and contingencies (note 13)

On behalf of the Board:

"Cody Church" Trustee

"Robert Dickson" Trustee

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Edgefront Real Estate Investment Trust

Condensed Consolidated Interim Statements of Income and Comprehensive Income

(Unaudited)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2015 $ | September 30, 2014 $ | September 30, 2015 $ | September 30, 2014 $ (restated - note 19) |
| **Net rental income** | | | | |
| Property revenue | 2,987,548 | 2,571,558 | 8,399,754 | 5,871,124 |
| Property expenses | (417,029) | (472,234) | (1,424,891) | (1,046,637) |
| Net rental income | 2,570,519 | 2,099,324 | 6,974,863 | 4,824,487 |
| General and administrative expense (note 16) | (367,273) | (315,441) | (1,106,135) | (824,309) |
| Loss on disposal of investment property (note 3) | - | - | (133,357) | - |
| Fair value adjustment of investment properties (note 4) | 274,918 | 1,315,411 | (65,082) | 5,340,065 |
| Fair value adjustment of Class B LP Units (note 8) | 233,459 | 75,600 | 269,459 | (18,000) |
| Fair value adjustment of unit options (note 11) | 10,000 | (14,000) | (21,000) | (45,000) |
| | 2,721,623 | 3,160,894 | 5,918,748 | 9,277,243 |
| **Finance income (expense)** | | | | |
| Interest income | - | - | - | 1,176 |
| Interest expense (notes 6 and 7) | (639,742) | (579,690) | (1,788,249) | (1,319,706) |
| Distributions on Class B LP Units (note 8) | (153,201) | (14,396) | (181,993) | (41,061) |
| | (792,943) | (594,086) | (1,970,242) | (1,359,591) |
| **Income before taxes** | 1,928,680 | 2,566,808 | 3,948,506 | 7,917,652 |
| Income taxes (note 15) | 1,934 | - | 58,132 | - |
| **Net income and comprehensive income for the period** | 1,930,614 | 2,566,808 | 4,006,638 | 7,917,652 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Edgefront Real Estate Investment Trust

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(Unaudited)

| | Unitholders' Equity $ | Contributed Surplus $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|
| **Balance – January 1, 2015** | 53,405,456 | - | 5,010,195 | 58,415,651 |
| Units issued as acquisition consideration (notes 3 and 9) | 7,229,474 | - | - | 7,229,474 |
| Unit issue costs | (60,900) | | | (60,900) |
| Net income for the period | - | - | 4,006,638 | 4,006,638 |
| Distributions | - | - | (3,568,691) | (3,568,691) |
| Issue of units under distribution reinvestment plan (note 10) | 86,191 | - | - | 86,191 |
| Issue of units to Manager (note 16) | 656,649 | - | - | 656,649 |
| Issue of units to Trustees (note 16) | 56,696 | | | 56,696 |
| **Balance – September 30, 2015** | 61,373,566 | - | 5,448,142 | 66,821,708 |

| | Unitholders' Equity $ (restated - note 19) | Contributed Surplus $ | Retained Earnings (Deficit) $ | Total $ (restated - note 19) |
|---|---|---|---|---|
| **Balance – January 1, 2014** | 4,947,451 | 271,000 | (612,710) | 4,605,741 |
| Units issued for cash | 17,500,000 | - | - | 17,500,000 |
| Unit issue costs | (1,386,868) | - | - | (1,386,868) |
| Units issued as acquisition consideration (note 3) | 32,300,000 | - | - | 32,300,000 |
| Net income for the period | - | - | 7,917,652 | 7,917,652 |
| Common shares exchanged for Class B LP Units | (580,000) | - | - | (580,000) |
| Distributions | - | - | (2,570,653) | (2,570,653) |
| Issue of units under distribution reinvestment plan (note 10) | 44,362 | - | - | 44,362 |
| Issue of units to Manager | 276,634 | - | - | 276,634 |
| Fair value adjustment of Class B LP Units on exchange for common shares | - | - | (104,000) | (104,000) |
| Fair value adjustment on conversion of share options to unit options | - | (271,000) | 239,000 | (32,000) |
| **Balance – September 30, 2014** | 53,101,579 | - | 4,869,289 | 57,970,868 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Edgefront Real Estate Investment Trust

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | | | $ | $ (restated - note 19) |
| **Cash provided by (used in)** | | | | |
| **Operating activities** | | | | |
| Net income for the period | 1,930,614 | 2,566,808 | 4,006,638 | 7,917,652 |
| Adjustment for items not involving cash: | | | | |
| Asset management fees payable in REIT units (note 16) | 261,000 | 213,215 | 701,372 | 489,850 |
| Trustee fees payable in REIT units (note 16) | 25,528 | 20,625 | 72,273 | 61,875 |
| Amortization of deferred financing costs (notes 6, 7) | 33,371 | 31,745 | 96,650 | 86,808 |
| Straight-line adjustments ground lease and rent | (19,442) | 4,034 | (11,374) | 12,102 |
| Loss on sale of investment property | - | - | 133,357 | - |
| Fair value adjustment of investment properties (note 4) | (274,918) | (1,315,411) | 65,082 | (5,340,065) |
| Fair value adjustment of Class B LP Units (note 8) | (233,459) | (75,600) | (269,459) | 18,000 |
| Fair value adjustment of unit options (note 11) | (10,000) | 14,000 | 21,000 | 45,000 |
| Deferred income taxes (note 15) | 9,169 | - | (89,029) | - |
| Changes in non-cash working capital | | | | |
| Tenant and other receivables | (90,754) | - | (138,430) | (122,461) |
| Prepaid expenses | (78,502) | 60,109 | (106,190) | (65,959) |
| Deposits | - | 325,000 | 50,000 | - |
| Other current assets | 9,650 | 750,462 | - | 77,233 |
| Accounts payable and accrued liabilities | (75,190) | 222,198 | (65,713) | 321,443 |
| Income taxes payable | (13,003) | - | 28,997 | - |
| Changes in other non-current assets | - | - | 14,000 | - |
| Total cash generated by operating activities | 1,474,064 | 2,817,185 | 4,509,174 | 3,501,478 |
| **Investing activities** | | | | |
| Acquisition of investment properties (note 3) | (12,608,876) | (37,374,589) | (12,608,876) | (71,450,716) |
| Net proceeds on disposition of investment properties (note 3) | - | - | 2,981,531 | - |
| Total cash used in investing activities | (12,608,876) | (37,374,589) | (9,627,345) | (71,450,716) |
| **Financing activities** | | | | |
| Issuance of units | - | 17,500,000 | - | 17,500,000 |
| Unit issuance costs (note 9) | (60,900) | (1,386,868) | (60,900) | (1,386,868) |
| Proceeds from new financing (note 3) | 10,517,097 | 20,350,000 | 10,517,097 | 54,750,000 |
| Financing costs (note 3) | (181,272) | (135,288) | (181,272) | (507,628) |
| Mortgage principal repayments | (37,892) | (56,368) | (153,286) | (167,540) |
| Net proceeds from borrowings on (repayments of) the credit facility | (573,648) | (129,491) | (1,229,713) | (35,510) |
| Distributions to unitholders | (1,191,866) | (991,730) | (3,422,546) | (2,149,078) |
| Total cash provided by financing activities | 8,471,519 | 35,150,255 | 5,469,380 | 68,003,376 |
| **Change in cash and cash equivalents during the period** | (2,663,293) | 592,851 | 351,209 | 54,138 |
| **Cash and cash equivalents - beginning of period** | 3,443,014 | 142,923 | 428,512 | 681,636 |
| **Cash and cash equivalents - end of period** | 779,721 | 735,774 | 779,721 | 735,774 |

Supplemental cash flow information (note 17)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## 1 Organization

Edgefront Real Estate Investment Trust (the REIT) is the successor to Edgefront Realty Corp. (the Corporation) following the conversion of the Corporation into a real estate investment trust. The Corporation was incorporated under the Business Corporations 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 condensed consolidated interim 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 condensed consolidated interim 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, Ontario 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**

Certain of the comparative figures in these consolidated financial statements have been restated - see note 19.

## 2 Summary of significant accounting policies

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including International Financial Accounting Standard 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2014. The accounting policies applied by the REIT in the preparation of these condensed consolidated interim financial statements are consistent with those applied for the year ended December 31, 2014.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current period.

The condensed consolidated interim 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 condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the REIT. The condensed consolidated interim financial statements were authorized for issue by the board of trustees of the REIT on November 18, 2015.

## 3 Acquisitions and dispositions

On July 17, 2015, the REIT acquired an industrial property located in Barrie, Ontario (the Barrie Property) for a contractual purchase price of $8,494,872. The purchase price was satisfied through the issuance of 3,470,985 Class B LP Units and 1,000,000 REIT Units at a deemed value of $1.90 per unit. The Barrie Property was initially recorded at $7,868,934, the fair value, on the date of issuance, of the REIT and Class B LP Units issued as purchase consideration, measured at the closing price of the REIT"s units on July 17, 2015 of $1.76 per unit. As at September 30, 2015, the carrying amount of the Barrie Property was adjusted to its fair value of $8,494,872.

On August 4, 2015, the REIT acquired an industrial property located in Kelowna, British Columbia (the Kelowna Property) for a contractual purchase price of $7,500,000. The purchase price was satisfied through the issuance of 2,000,000 REIT Units at a deemed value of $1.90 per unit, with the balance, net of closing adjustments, satisfied in cash. The Kelowna Property was initially recorded at $7,380,000, the fair value of the purchase consideration paid. The fair value of the REIT units issued as purchase consideration was measured at the closing price of the REIT"s units on August 4, 2015 of $1.84 per unit. As at September 30, 2015, the carrying amount of the Kelowna Property was adjusted to its fair value of $7,500,000.

On August 25, 2015, the REIT acquired an industrial property located in Calgary, Alberta (the Calgary Property) for a contractual purchase price of $21,877,838. The purchase price was satisfied through the issuance of 1,052,632 REIT units at a deemed value of $1.90 per unit, the assumption of a mortgage with a principal balance of $11,500,000, and the remainder, net of closing adjustments, settled in cash. The Calgary Property was initially recorded at $21,667,312, the fair value of the consideration paid. The fair value of the REIT units issued as purchase consideration, on the date of issuance, was measured at the closing price of the REIT's units on August 25, 2015 of $1.70. As at September 30, 2015, the carrying amount of the Calgary Property was adjusted to its fair value of $22,000,000.

The impact of acquiring the properties is as follows:

| | Barrie<br>$ | Kelowna<br>$ | Calgary<br>$ | Total<br>$ |
|---|---|---|---|---|
| Investment properties acquired | 7,868,934 | 7,380,000 | 21,667,312 | 36,916,246 |
| Transaction costs | 304,753 | 244,298 | 254,657 | 803,708 |
| Assumption of mortgage | - | - | (11,500,000) | (11,500,000) |
| Working capital acquired | - | 18,699 | (291,370) | (272,671) |
| Net assets acquired | 8,173,687 | 7,642,997 | 10,130,599 | 25,947,283 |
| | | | | |
| Consideration: | | | | |
| Cash | 304,753 | 3,962,997 | 1,036,516 | 5,304,266 |
| Issuance of REIT units to the vendors | 1,760,000 | 3,680,000 | 1,789,474 | 7,229,474 |
| Issuance of Class B LP units to the vendors | 6,108,934 | - | - | 6,108,934 |
| Proceeds from new financing secured against the properties (see note below) | - | - | 7,485,881 | 7,485,881 |
| Deferred financing costs – new financing | - | - | (181,272) | (181,272) |
| | 8,173,687 | 7,642,997 | 10,130,599 | 25,947,283 |

Net proceeds from mortgage financing placed on the Barrie and Kelowna Properties totalled $10,517,097, of which $7,485,881 was used to finance the purchase of the Calgary Property.

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.

On July 15, 2014, the REIT acquired three 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 in cash.

The impact of acquiring the properties is as follows:

| | $ |
|---|---|
| Investment properties acquired | 36,744,000 |
| Transaction costs | 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, 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.

In the context of a reverse take-over, 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 19) |
|---|---|
| Investment properties acquired | 66,300,000 |
| Transaction costs | 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 as 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 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. At the time of acquisition, management was unable to determine the probability that funds will be released to the REIT, nor was management able to quantify the amount of the escrowed funds, if any, that may be released to the REIT. Therefore, no amount was recognized in the consolidated financial statements with respect to the amount held in escrow as part of the purchase accounting.

## 4 Investment properties

| | September 30, 2015 $ | December 31, 2014 $ |
|---|---|---|
| Balance, beginning of period | 117,070,000 | 7,140,000 |
| Acquisition of investment properties, including acquisition costs of $803,708 (2014 - $1,545,935) | 37,719,954 | 104,589,935 |
| Fair value adjustment | (65,082) | 5,340,065 |
| Disposition of investment property | (5,650,000) | - |
| Balance, end of period | 149,074,872 | 117,070,000 |

The fair value adjustment for the three-month period ended September 30, 2015 related to the acquisitions of the Barrie, Kelowna and Calgary Properties, and was determined as follows:

| | Barrie<br>$ | Kelowna<br>$ | Calgary<br>$ | Total<br>$ |
|---|---|---|---|---|
| Fair value of assets acquired | 8,494,872 | 7,500,000 | 22,000,000 | 37,994,872 |
| Less: initial recognition amount | (7,868,934) | (7,380,000) | (21,667,312) | (36,916,246) |
| Less: transaction costs | (304,753) | (244,298) | (254,657) | (803,708) |
| Fair value adjustment | 321,185 | (124,298) | 78,031 | 274,918 |

For the nine-month period ended September 30, 2015, the total fair value adjustment of $65,082 includes a fair value adjustment of $340,000 relating to the Miramichi Property, which was carried at $5,990,000 prior to the REIT completing an agreement to sell the property for $5,650,000.

The fair value of the investment properties as at September 30, 2015 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:

| | **September 30, 2015** | **December 31, 2014** |
|---|---|---|
| Weighted average capitalization rate | 7.38% | 7.40% |
| Range of capitalization rates | 6.25% - 11.0% | 6.25% - 11.0% |
| Stabilized net operating income | 10,889,000 | 8,468,000 |

The fair value of the investment properties is most sensitive to changes in capitalization rates. As at September 30, 2015, a 0.25% increase in the weighted average capitalization rate would result in a decrease of approximately $4,825,000 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 $5,165,000 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.

## 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:

| | **September 30, 2015**<br>**$** |
|---|---|
| Remainder of 2015 | 2,838,862 |
| 2016 – 2019 | 45,044,730 |
| 2020 – 2029 | 70,091,811 |
| | 117,975,403 |

## 6 Mortgages payable

On disposition of the Miramichi investment property on June 23, 2015, the acquirer assumed the mortgage secured against the Miramichi investment property. On acquisition of the Calgary Property, new mortgages were placed on the Barrie and Kelowna Properties in the combined principal amount of $10,775,000, and a mortgage with an outstanding principal amount of $11,500,000 was assumed.

As at September 30, 2015, the mortgages payable are secured by charges against the PEI investment property, the Kelowna Property, the Barrie Property, and the Calgary Property. The weighted average interest rate, including deferred financing costs, on the mortgages payable is 3.33% and the weighted average term to maturity is 5.83 years. Interest expense recorded in the period includes the amortization of deferred financing costs relating to mortgages payable in the amount of $4,211 (2014 - $2,586) for the three months ended September 30, 2015 and $9,171 for the nine-month period then ended (2014 - $7,883).

| | September 30, 2015<br>$ | December 31, 2014<br>$ |
|---|---|---|
| Mortgages payable | 22,694,655 | 3,142,966 |
| Less: Deferred financing costs | (182,573) | (45,386) |
| | 22,512,082 | 3,097,580 |
| Less: Current portion | (776,156) | (232,957) |
| | 21,735,926 | 2,864,623 |

| | Scheduled repayments<br>$ | Principal maturities<br>$ | Total<br>$ |
|---|---|---|---|
| Remainder of 2015 | 191,741 | - | 191,741 |
| 2016 | 782,325 | - | 782,325 |
| 2017 | 802,425 | 414,040 | 1,216,465 |
| 2018 | 812,680 | - | 812,680 |
| 2019 | 838,684 | - | 838,684 |
| Thereafter | 1,588,399 | 17,264,361 | 18,852,760 |
| Total | 5,016,254 | 17,678,401 | 22,694,655 |

## 7 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. On July 15, 2014, the revolving credit facility was amended to increase the revolving credit limit to $52,500,000 and to add a $7,500,000 term facility (together the Credit Facility). The amended Credit Facility matures on July 15, 2019.

The Credit Facility is secured against the ten 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. Bankers' 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.

As at September 30, 2015, a total of $53,688,266 was drawn against the Credit Facility (December 31, 2014 - $54,917,979). Of the total drawn at September 30, 2015, $50,350,000 (December 31, 2014 - $50,350,000) was drawn in the form of fixed rate and term borrowings, $2,750,000 (December 31, 2014 - $3,300,000) was drawn in the form of bankers' acceptance borrowings, and $588,266 (December 31, 2014 - $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.

As at September 30, 2015, deferred financing costs of $437,392 (December 31, 2014 - $524,869) are netted against the Credit Facility. Interest expense recorded in the period includes the amortization of deferred financing costs relating to the Credit Facility in the amount of $29,159 (2014 - $29,159) for the three months ended September 30, 2015 and $87,478 for the nine-month period then ended (2014 - $78,925).

## 8 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.

On July 17, 2015, 3,470,985 Class B LP Units of a newly created subsidiary of the REIT were issued as partial purchase consideration to the vendors of the Barrie Property. The Class B LP Units issued were valued at $1.76 per unit, the July 17, 2015 closing price of the REIT units on the TSXV.

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

The following table summarizes the changes in Class B LP Units for the nine months ended September 30, 2015.

| | Class B LP Units | Amount $ |
|---|---|---|
| December 31, 2014 | 360,000 | 673,200 |
| Issuance of Class B LP Units as purchase consideration | 3,470,985 | 6,108,934 |
| Fair value adjustment during the period | - | (269,459) |
| September 30, 2015 | 3,830,985 | 6,512,675 |

During the period ended September 30, 2015, distributions in the amount of $153,201 (2014 - $14,396) were declared payable to holders of Class B LP Units for the three months then ended, and distributions in the amount of $181,993 were declared in the nine-month period then ended (2014 - $41,061). These amounts have been recognized as finance expense in the condensed consolidated interim statement of income and comprehensive income.

## 9 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.

On July 17, 2015, the REIT issued 1,000,000 REIT units to the vendor of the Barrie Property as partial satisfaction of the purchase price for the property acquired. 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 July 17, 2015 of $1.76. Refer to note 3.

On August 4, 2015, the REIT issued 2,000,000 REIT units to the vendors of the Kelowna Property as partial satisfaction of the purchase price for the property acquired. 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. Refer to note 3.

On August 25, 2015, the REIT issued 1,052,632 REIT units to the vendors of the Calgary Property as partial satisfaction of the purchase price for the property acquired. 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. Refer to note 3.

The following table presents the changes in units for the nine months ended September 30, 2015.

| | Units | Amount $ |
|---|---|---|
| Unitholders' equity, December 31, 2014 | 28,460,081 | 53,405,456 |
| Units issued as purchase price consideration | 4,052,632 | 7,229,474 |
| Unit issuance costs | - | (60,900) |
| Units issued as consideration for management services | 362,179 | 656,649 |
| Units issued as consideration for Trustee services | 32,296 | 56,696 |
| Units issued under distribution reinvestment plan | 50,559 | 86,191 |
| Unitholders' equity, September 30, 2015 | 32,957,747 | 61,373,566 |

## 10 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 or the five trading days immediately preceding the relevant distribution date. Commencing with the June 2015 distribution, eligible unitholders who so elect will receive a bonus distribution of units equal to 4% of each distribution that was reinvested by them under the DRIP (3% prior to the June 2015 distribution). During the three-month period ended September 30, 2015, 16,703 units (2014 - 11,557) were issued under the DRIP for a stated value of $28,122 (2014 - $22,030) and for the nine-month period then ended, 50,559 units (2014 - 22,743) with a stated value of $86,191 (2014 - $44,362) were issued under the DRIP.

## 11 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, at 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 September 30, 2015, 270,000 (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. As at September 30, 2015, fair value was calculated using an expected unit option life of 1.20 years (December 31, 2014 - 1.45 years), a volatility rate of 25% (December 31, 2014 - 25%), a risk free interest rate of 0.55% (December 31, 2014 - 1.00%), and a distribution yield of 9.04% (December 31, 2014 - 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 on each of the second and third anniversaries of the grant date. The total fair value of the options on the grant date was $298,875. The total fair value of the options as at September 30, 2015 was $203,096 (December 31, 2014 - $258,904).

The fair value of these unit options as at September 30, 2015 was determined using an expected unit option life of 2.29 years (December 31, 2014 - 3.04 years), a weighted average volatility rate of 45% (December 31, 2014 - 45%), a risk free interest rate of 0.53% (December 31, 2014 - 1.06%) and a distribution yield of 9.41% (December 31, 2014 - 8.56%) based on the trading price on that date.

On March 10, 2015, 40,000 unit options with an exercise price of $2.00 per unit, and expiring March 10, 2018, were issued to a consultant performing investor relation services to the REIT. These unit options vest one-quarter three months from the grant date, one-quarter six months from the grant date, one-quarter nine months from the grant date and one-quarter twelve months from the grant date. The total fair value of the options on the grant date was $2,562. The total fair value of the options as at September 30, 2015 was $1,810.

The fair value of these unit options as at September 30, 2015 was determined using an expected unit option life of 1.44 years, a volatility rate of 25%, a risk-free interest rate of 0.51% and a distribution yield of 9.41% based on the trading price on that date.

For the period ended September 30, 2015, the number of options outstanding changed as follows:

| | **Number of unit options** | **Weighted average exercise price $** |
|---|---|---|
| Balance, January 1, 2015 | 1,120,000 | 2.00 |
| Options cancelled | - | 2.00 |
| Options granted | 40,000 | 2.00 |
| Total | 1,160,000 | 2.00 |

Of the 1,160,000 unit options outstanding as at September 30, 2015, 573,333 had vested and were exercisable (December 31, 2014 - 270,000).

## 12 Financial instruments

*Liquidity risk*

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they come 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 come due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. As at September 30, 2015, the REIT had cash and cash equivalents of $779,721 (December 31, 2014 - $428,512), mortgages payable of $22,694,655 (December 31, 2014 - $3,142,966), a revolving credit facility balance of $53,688,266 (December 31, 2014 - $54,917,979) and accounts payable and accrued liabilities of $1,588,512 (December 31, 2014 - $1,309,152). The REIT had a working capital deficit of $744,520 as at September 30, 2015 (December 31, 2014 – $660,218 working capital deficit). 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 $ |
|---|---|---|---|---|---|---|
| Remainder of 2015 | 1,588,512 | - | 481,098 | 191,741 | 178,574 | 2,439,925 |
| 2016 | - | - | 1,913,934 | 782,325 | 698,936 | 3,395,195 |
| 2017 | - | - | 1,908,705 | 1,216,465 | 669,669 | 3,794,839 |
| 2018 | - | - | 1,908,705 | 812,680 | 631,912 | 3,353,297 |
| 2019 | - | 53,688,266 | 423,500 | 838,684 | 605,908 | 55,556,358 |
| Thereafter | - | - | - | 18,852,760 | 1,025,607 | 19,878,367 |
| Total | 1,588,512 | 53,688,266 | 6,635,942 | 22,694,655 | 3,810,606 | 88,417,981 |

*Interest rate risk*

Interest rate risk is the risk that the fair value or 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. As at September 30, 2015, there was a total of $3,338,266 (December 31, 2014 - $4,567,979) 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 come 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 September 30, 2015, the REIT had ten tenants, with one tenant accounting for approximately 46% of the REIT's rental income, resulting in concentration of credit risk. The REIT monitors the creditworthiness of the tenants on an ongoing basis.

## 13 Commitments and contingencies

The REIT has a leasehold interest in a property subject to a 66-year land lease, which commenced on 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 September 30, 2015, annual future minimum ground lease payments on account of base rent are as follows:

| | Remainder of 2015 $ | 2016 $ | 2017 $ | 2018 $ | 2019 $ | Thereafter $ |
|---|---|---|---|---|---|---|
| Minimum annual rent | - | 52,800 | 52,800 | 52,800 | 52,800 | 3,476,114 |

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.

## 14 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 for 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%.

The REIT's Credit Facility contains interest coverage, distribution and loan to value covenants, for which non-compliance would result in an event of default, allowing the lender to demand repayment of amounts outstanding under the Credit Facility. As at September 30, 2015, the REIT was in compliance with all of the financial covenants contained within the Credit Facility.

## 15 Income taxes

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 29.36% (December 31, 2014 - 27.72%). A deferred tax asset arises from the loss carry-forwards of the Canadian subsidiary corporations, and the undeducted 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. A deferred income tax expense of $9,169 (2014 - $nil) was recorded in the condensed consolidated interim statement of income and comprehensive income for the three months ended September 30, 2015 and a recovery of $89,029 (2014 - $nil) was recorded for the nine months then ended. Current income tax recovery of $11,103 (2014 - $nil) was recorded for the three months ended September 30, 2015, and a current income tax expense of $30,897 (2014 - $nil) was recorded for the nine months ended September 30, 2015.

## 16 Related party transactions

Pursuant to an asset management agreement (the Management Agreement) dated January 14, 2014 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% 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 three months ended September 30, 2015, acquisition fees in the amounts of $190,000 (2014 - $183,720) were paid to the Manager, and $190,000 (2014 - $523,720) was paid in the nine months then ended. During the period ended September 30, 2015, asset management fees in the amount of $261,000 were expensed for the three-month period then ended (2014 - $213,215) and $701,372 was expensed for the nine-month period then ended (2014 - $489,850). During the nine months ended September 30, 2015, 362,179 units (2014 - 135,218) at an average price per unit of $1.81 (2014 - $2.05) were issued to the Manager in respect of asset management fees. Asset management fees in the amount of $261,000 were accrued as at September 30, 2015 (December 31, 2014 - $223,581).

During the period ended September 30, 2015, trustee retainer fees in the amount of $33,125 (2014 - $20,625) were expensed for the three-month period then ended and $79,600 (2014 - $61,875) was expensed for the nine months then ended. Trustee retainer fees in the amount of $33,125 were accrued as at September 30, 2015 (December 31, 2014 - $20,625).

During the period ended September 30, 2015, trustee meeting fees in the amount of $3,250 (2014 - $3,700) were expensed for the three-month period then ended and $12,750 (2014 - $14,200) was expensed for the nine months then ended. Trustee meeting fees in the amount of $12,750 were accrued at September 30, 2015 (December 31, 2014 - $nil).

On July 15, 2014, the REIT acquired the Northern Mat and Triple M properties (see note 3) from companies controlled by funds associated with TriWest Capital Partners (TriWest). TriWest also controls RTL-Westcan LP, which holds an approximately 30% economic and voting interest in the REIT as at September 30, 2015. Two 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 totalling $2,252,933 during the nine months ended September 30, 2015.

As at September 30, 2015, 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.

## 17 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:

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | $ | $ | $ | $ |
| Cash interest paid | 653,235 | 557,907 | 1,774,328 | 1,270,255 |
| Cash interest received | - | - | - | 6,060 |
| Cash income taxes paid | 1,900 | - | - | - |

## 18 Subsequent events

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.

## 19 Restatement of previously issued unaudited condensed interim 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) during the quarter ended March 31, 2014. There is no impact on cash from operating or financing activities, cash used in investing activities, or total unitholders' equity.

The tables below show the restatement impacts on the comparatives to the condensed consolidated interim financial statements for the nine-month period ended September 30, 2015, the six-month period ended June 30, 2015, and the three month period ended March 31, 2015. There is no impact on the comparative three month periods ended September 30, 2014 and June 30, 2014.

The following tables illustrate the impact of the adjustment on the REIT's condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the periods ended, and on the REIT's condensed consolidated interim statements of financial position, as at, the dates noted below:

| **As at June 30, 2015** | **As previously reported** | **Adjustment** | **As restated** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Unitholders' equity | 58,848,391 | (4,940,000) | 53,908,391 |
| Retained earnings (deficit) | (148,081) | 4,940,000 | 4,791,919 |
| Total Unitholders' Equity | 58,700,310 | - | 58,700,310 |

| **As at March 31, 2015** | **As previously reported** | **Adjustment** | **As restated** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Unitholders' equity | 58,597,184 | (4,940,000) | 53,657,184 |
| Retained earnings (deficit) | 146,088 | 4,940,000 | 5,086,088 |
| Total Unitholders' Equity | 58,743,272 | - | 58,743,272 |

| **For the nine months ended September 30, 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 | 2,977,652 | 4,940,000 | 7,917,652 |

| **As at September 30, 2014** | **As previously reported** | **Adjustment** | **As restated** |
|---|---|---|---|
| | **$** | **$** | **$** |
| Unitholders' equity | 58,041,579 | (4,940,000) | 53,101,579 |
| Retained earnings (deficit) | (70,711) | 4,940,000 | 4,869,289 |
| Total Unitholders' Equity | 57,970,868 | - | 57,970,868 |

| **For the six months ended June 30, 2014** | **As previously reported $** | **Adjustment $** | **As restated $** |
|---|---|---|---|
| Fair value adjustment of investment properties | (915,346) | 4,940,000 | 4,024,654 |
| Net income and comprehensive income | 410,844 | 4,940,000 | 5,350,844 |

| **As at June 30, 2014** | **As previously reported $** | **Adjustment $** | **As restated $** |
|---|---|---|---|
| Unitholders' equity | 41,755,517 | (4,940,000) | 36,815,517 |
| Retained earnings / (deficit) | (1,506,047) | 4,940,000 | 3,433,953 |
| Total Unitholders' Equity | 40,249,470 | - | 40,249,470 |

| **For the three months ended March 31, 2014** | **As previously reported $** | **Adjustment $** | **As restated $** |
|---|---|---|---|
| Fair value adjustment of investment properties | (915,346) | 4,940,000 | 4,024,654 |
| Net income and comprehensive income | (288,921) | 4,940,000 | 4,651,079 |

| **As at March 31, 2014** | **As previously reported $** | **Adjustment $** | **As restated $** |
|---|---|---|---|
| Unitholders' equity | 41,607,846 | (4,940,000) | 36,667,846 |
| Retained earnings (deficit) | (1,427,445) | 4,940,000 | 3,512,555 |
| Total Unitholders' Equity | 40,180,401 | - | 40,180,401 |