MAPLEWOOD
INTERNATIONAL REIT

Consolidated Financial Statements
(In Canadian Dollars)

For the year ended December 31, 2017
and December 31, 2016

Independent auditor's report

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To the Unitholders of
Maplewood International Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Maplewood International Real Estate Investment Trust (the "REIT"), which comprise the consolidated balance sheet as at December 31, 2017 and December 31, 2016, and the consolidated statement of income (loss) and comprehensive income (loss), consolidated statement of changes in unitholders' equity and consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Maplewood International Real Estate Investment Trust as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Halifax, Canada
March 27, 2018

Chartered Professional Accountants
Licensed Public Accountants

Maplewood International Real Estate Investment Trust
Consolidated Balance Sheet
(In Canadian Dollars)

	Notes	December 31, 2017	December 31, 2016
Assets			
Non-current assets			
Investment property	4	**$ 11,020,000**	$ -
		11,020,000	-
Current assets			
Assets held for sale	4	**-**	9,891,000
Cash and cash equivalents		**195,617**	161,360
Amounts receivable and other assets	5	**17,650**	12,297
		213,267	10,064,657
Total assets		**$ 11,233,267**	$ 10,064,657
Liabilities and Unitholders' Equity			
Non-current liabilities			
Deferred income tax liabilities	15	**$ 208,000**	$ -
		208,000	-
Current Liabilities			
Accrued severance costs		**-**	190,000
Amounts payable and accrued liabilities	10	**91,039**	122,170
Current portion of long-term debt	6	**5,457,306**	5,298,525
Deferred income tax liabilities	15	**-**	62,000
		5,548,345	5,672,695
Total liabilities		**$ 5,756,345**	$ 5,672,695
Unitholder's equity		**$ 5,476,922**	$ 4,391,962
Total liabilities and unitholders' equity		**$ 11,233,267**	$ 10,064,657

Basis of presentation (see note 2(b))

On behalf of the Board of Trustees:

"Nick Kanji"______________________ Trustee   "Kursat Kacira"_____________________ Trustee

See accompanying notes to the consolidated financial statements

Maplewood International Real Estate Investment Trust
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(In Canadian Dollars)

	Notes	For the year ended December 31, 2017	For the year ended December 31, 2016
Investment property revenue		**$ 930,242**	$ 930,366
Investment property operating expenses		**(71,804)**	(67,030)
Net property income		**858,438**	863,336
Finance costs - operations		**(195,326)**	(204,814)
General and administrative expenses	12	**(83,123)**	(548,706)
Asset management fees		**(6,178)**	(37,068)
Interest income		**-**	10
Operating income		**573,811**	72,758
Fair value adjustments to investment property		**355,402**	(32,547)
Net income before taxes		**929,213**	40,211
Deferred income tax expense		**(146,000)**	(62,000)
Net income (loss)		**783,213**	(21,789)
Other comprehensive income (loss)			
Foreign currency translation adjustments		**301,747**	(328,348)
Comprehensive income (loss)		**$ 1,084,960**	$ (350,137)

See accompanying notes to the consolidated financial statements

Maplewood International Real Estate Investment Trust
Consolidated Statements of Changes in Unitholders' Equity
Twelve months ended December 31, 2017 and December 31, 2016
(In Canadian Dollars)

	Unit capital	Income	Accumulated other comprehensive income	Total
Unitholders' equity at January 1, 2017	**$ 4,439,101**	**$ (53,934)**	**$ 6,795**	**$ 4,391,962**
Net income and comprehensive income	**-**	**783,213**	**301,747**	**1,084,960**
Unitholders' equity at December 31, 2017	**$ 4,439,101**	**$ 729,279**	**$ 308,542**	**$ 5,476,922**

	Unit capital	Income	Accumulated other comprehensive income	Total
Unitholders' equity at January 1, 2016	$ 4,439,101	$ (32,145)	$ 335,143	$ 4,742,099
Net income and comprehensive loss	-	(21,789)	(328,348)	(350,137)
Unitholders' equity at December 31, 2016	$ 4,439,101	$ (53,934)	$ 6,795	$ 4,391,962

See accompanying notes to the consolidated financial statements

Maplewood International Real Estate Investment Trust
Consolidated Statements of Cash Flows
(In Canadian Dollars)

	Notes	**For the year ended December 31, 2017**	For the year ended December 31, 2016
Cash flows from operating activities:			
Net income (loss)		**$ 783,213**	$ (21,789)
Fair value adjustments to investment property		**(355,402)**	32,547
Change in non-cash working capital items:			
Amounts receivable and other assets		**(5,353)**	29,759
Amounts payable and accrued liabilities		**(221,131)**	(61,095)
Deferred income tax liabilities		**146,000**	62,000
Cash flow from operating activities		**347,327**	41,422
Cash flows from financing activities:			
Proceeds from long-term debt financing		**-**	206,247
Principal repayment of long-term debt		**(180,407)**	(169,553)
Cash flow from financing activities		**(180,407)**	36,694
Cash flows from investing activities:			
Building improvements		**(138,913)**	(31,932)
Cash flow from investing activities		**(138,913)**	(31,932)
Increase (decrease) in cash and cash equivalents during the year		**28,007**	46,184
Effects of exchange rate change on cash		**6,250**	(12,130)
Cash and cash equivalents, beginning of year		**161,360**	127,306
Cash and cash equivalents, end of year		**$ 195,617**	$ 161,360

See accompanying notes to the consolidated financial statements

1. Nature of operations

Maplewood International Real Estate Investment Trust (the "REIT") is an unincorporated, open ended real estate investment trust, established under the laws of the Province of Ontario, pursuant to the Declaration of Trust dated May 30, 2013, as amended and restated on September 9, 2013 (the "DOT"). The registered office of the REIT is located at 2425 Matheson Boulevard East, Suite 791, Mississauga, Ontario, Canada.

Prior to its reorganization as a real estate investment trust, the REIT was known as Holland Global Capital Corporation (the "Corporation"), a capital pool company, as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV"). The Corporation was incorporated under the Business Corporations Act (Ontario) on January 15, 2013 and completed its initial public offering on April 5, 2013. The shares of the Corporation were listed on the TSXV on April 11, 2013. Prior to completing the Plan of Arrangement on September 9, 2013, there were 40,500,000 shares of the Corporation issued and outstanding.

Pursuant to the Plan of Arrangement approved on September 9, 2013 by the Corporation's shareholders and the TSXV, the common shares of the Corporation were exchanged, based on an exchange ratio of eight-for-one, for either REIT Units or Class B LP Units of Maplewood International Limited Partnership ("MILP"), a wholly-owned subsidiary of the REIT. In addition, outstanding options or warrants to purchase shares in the Corporation were exchanged for REIT Unit options or warrants having identical terms, subject to the adjustment of the number of Units based on the exchange ratio of one REIT Unit for every eight shares held. The REIT is the continuing public entity with its Units listed on the TSXV, under the symbol MWI.UN.

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Trustees of the REIT on March 27, 2018.

(b) Basis of presentation

On March 22, 2016, the REIT's unitholders approved the special Sale and Termination Resolution, including (i) the sale of the REIT's sole investment property in the Netherlands (the "Property"), which comprises substantially all of the assets of the REIT; and (ii) the termination of the REIT pursuant to the terms of the REIT's declaration of trust. The REIT intended to use the proceeds from the sale of the Property to repay its remaining outstanding liabilities, and to distribute to the Unitholders its net cash after realization of its assets and settlement of its liabilities and subsequently wind-up the REIT. As a result, the REIT's financial statements were prepared on a liquidation basis for the years ended December 31, 2016 and December 31, 2015.

During 2017, the REIT expanded the scope of the value maximization process to consider additional strategic alternatives for the REIT including holding the property indefinitely. Notwithstanding this expanded scope, as at December 31, 2017, there was no sale of the Property being considered or expected and as a result, the REIT has determined that it is appropriate to present the financial statements on a going concern basis versus on a liquidation basis.

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany transactions and balances between the REIT and its subsidiary entities have been eliminated upon consolidation.

The entities included in the REIT's consolidated financial statements are as follows:

Entity	Type	Relationship
Maplewood International Real Estate Investment Trust (“REIT”)	Trust	Parent
Maplewood International General Partner Corporation (“MIGP”)	Corporation	100% owned by REIT
Maplewood International Limited Partnership (“MILP”)	Partnership	99.99% owned by REIT and 0.01% owned by MIGP
Maplewood International Operating General Partner Corporation (“MIOGP”)	Corporation	100% owned by MILP
Maplewood International Operating Limited Partnership (“MILP”)	Partnership	99.99% owned by MILP and 0.01% owned by MIOGP
Maplewood International Holdings B.V.	Dutch B.V.	100% owned by MIOLP

(c) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis (see note 2(b)). The REIT has considered whether any adjustments to the carrying values of the assets and liabilities were required as a result of reverting the basis of accounting from liquidation accounting to going concern basis and determined there was one adjustment required in the current year for the reversal of the accrued severance cost described in note 12. The remaining assets and liabilities are carried at their fair value therefore no other adjustments were required.

3. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted cash.

(b) Investment properties

Investment properties include properties that are held to earn rental income and/or for capital appreciation. Investment properties are initially recorded at cost, including transaction costs. The REIT selected the fair value method to account for investment properties. As a result, subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value are recognized in income and loss during the period in which they arise.

The fair value of investment properties is determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a capitalization rate to stabilized net operating income ("NOI") and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rate.

Capital expenditures, including tenant improvements, are capitalized to investment properties only when it is probable that the future economic benefits of the expenditure will flow to the property and the cost can be measured reliably. Repairs and maintenance expenditures are expensed when incurred.

(c) Revenue recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including base rent, recoveries of operating expenses, lease termination fees and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement. Lease incentives in the form of cash or other payments are amortized on a straight-line basis over the term of the lease as a reduction of investment property revenue.

(d) REIT Units

The REIT Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32, Financial Instruments-Presentation ("IAS 32"). Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The REIT Units meet the conditions of IAS 32 and are, therefore, classified as equity. As the REIT Units are liabilities classified as equity, earnings (loss) per Unit is not presented.

(e) Income taxes

The REIT is taxed as a mutual fund trust under the Income Tax Act (Canada). The REIT is not a specified investment flow-through trust ("SIFT"), and will not be, provided that the REIT complies at all times with its investment restrictions which preclude the REIT from investing in any entity other than a portfolio investment entity or from holding any non-portfolio property. The REIT intends to distribute all taxable income directly earned by the REIT to unitholders and to deduct such distributions for income tax purposes. The tax deductibility of the REIT's distributions to unitholders represents, in substance, an exception from current Canadian tax, and from deferred tax relating to temporary differences in the REIT, so long as the REIT continues to expect to distribute all of its taxable income and taxable capital gains to its unitholders. Accordingly, no net current Canadian income tax expense or deferred income tax assets or liabilities have been recorded in these consolidated financial statements. The REIT will indirectly own investment properties in the Netherlands through its subsidiaries, which will be taxable for income tax purposes in the Netherlands.

Income tax payable in the Netherlands will be calculated using the asset and liability method, whereby deferred income taxes assets and liabilities are determined based on differences between the carrying amount of the balance sheet items and the corresponding tax values. Income taxes are computed using enacted and substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse. Adjustments to these balances are recognized in income as they occur.

(f) Financial instruments

Financial instruments are classified as one of the following: (i) fair value through profit or loss ("FVTPL"), (ii) loans and receivables, (iii) held to maturity, (iv) available for sale or (v) other financial liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in income and loss. Financial instruments classified as held to maturity, loans and receivables or other financial liabilities are subsequently measured at amortized cost. Available for sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in accumulated other comprehensive income in equity.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held for trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL. The Class B LP Units have been classified as financial liabilities at FVTPL.

The following summarizes the REIT's classification and measurement of financial assets and financial liabilities:

	Classification	Measurement
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable and other assets	Loans and receivables	Amortized cost
Financial Liabilities		
Amounts payable and other liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

(g) Unit options

The REIT has a Unit option plan available for officers, employees, trustees and consultants. The plan is accounted for as a long-term employee benefit with the service cost being determined based on the grant-date fair value of the options. The service cost and related option liability is recognized over the vesting period. The associated liability is remeasured to fair value at each reporting date with the re-measurement reflected in net income as part of Unit based compensation expense. The unit options expire on April 5, 2018.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the REIT's operating subsidiary is Euros. The consolidated financial statements are presented in Canadian dollars, which is the group's presentation and functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the statements of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income.

(iii) Subsidiary

The results and financial position of the subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing
on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income.

(i) Provisions

Provisions are recognized when the REIT has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value when the effect is material. The REIT's provisions are recorded in trade and other payables and relate to accrued severance.

(j) Distributions

The REIT makes distributions on its Units in accordance with the Declaration of Trust, at the discretion of the Trustees. Distributions on REIT Units are recorded as a reduction to equity and are presented as a liability in the period in which the distributions are declared. The distributions paid on the Class B LP Units are accounted for as finance costs when declared by the Board of Trustees.

(k) Assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value, less costs to sell.

(l) Critical Accounting Judgement, Estimates and Assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies.

(i) Critical judgements

(a) Income taxes

The REIT is taxed as a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, the REIT is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The REIT has reviewed the requirements for real estate investment trust status and has determined that it is expected to qualify as a real estate investment trust pursuant to the Income Tax Act (Canada).

(ii) Estimates and assumptions

In making estimates and assumptions, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(a) Investment properties

Critical assumptions relating to the estimates of fair values of investment properties include capitalization rates, stabilized future cash flow, the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements and discount rates. If there is any change in these assumptions, the fair value of property investments may change materially.

(b) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding market price of Units, future interest rates, the relative creditworthiness of the REIT to its counterparties, the credit risk of the REIT's counterparties relative to the REIT, the estimated future cash flows and discount rates. Critical estimates relating to the fair value of the Unit options include the life of the Unit options, and the market price, volatility and distribution yield of Units.

(m) Changes in accounting policies

There are no new or revised standards relevant to the REIT effective for the current year.

(n) Future changes in accounting standards

IFRS 9 Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") is the first of a multi-phase project to replace International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39"). It addresses the classification, measurement and derecognition of financial assets and financial liabilities.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications - those measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized when the entity becomes a party to the contractual provisions of the instrument. Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward, unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income (loss). An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge
an accounting mismatch in operating income, in which case all gains or losses on that liability are to be presented in operating income.

This mandatory effective date of IFRS 9 is for fiscal years beginning on or after January 1, 2018. Early application is permitted. The REIT currently anticipates the adoption of this standard will have no impact on the consolidated financial statements.

4. Investment property

As a result of basis of presentation changed from liquidation basis to going concern basis (see note 2(b)), the asset held for sale was classified as an investment property as at January 1, 2017. The change in the classification of the asset held for sale to an investment property has not impacted the results of the REIT's operations in the current or prior year as the investment property continues to be recorded at fair value (with no impact for costs to sell in the current year) as shown below.

The reconciliation of the carrying amount of investment property for the year ended December 31, 2017 and for the year ended December 31, 2016 is set out below:

Opening balance, investment property, January 1, 2017	$	9,891,000
Additions to investment property:		
Building improvements		138,913
Fair value adjustment		355,402
Foreign currency translation		634,685
Balance, investment property, December 31, 2017	**$**	**11,020,000**
Opening balance, asset held for sale, January 1, 2016	$	10,588,000
Additions to asset held for sale:		
Building improvements		31,932
Fair value adjustment		(32,547)
Foreign currency translation		(696,385)
Balance, asset held for sale, December 31, 2016	**$**	**9,891,000**

5. Amounts receivable and other assets

		December 31, 2017		December 31, 2016
Amounts receivable	**$**	**1,450**	$	8,296
Prepaid expenses		**16,200**		4,001
	$	**17,650**	$	12,297

6. Long-term debt

As at December, 2017, the REIT had $5,457,306 (€3,630,000) of principal amount of mortgages payable (December 31, 2016, $5,298,525, or €3,750,000). The mortgages carry a weighted average interest rate of 3.60% (December 31, 2016, 3.61%) and a weighted average term to maturity of 0.75 years (December 31, 2016, 1.75 years). One mortgage has a fixed rate and one mortgage has a variable rate. The mortgages are secured by a first charge on the investment property and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2018	$ 135,305	$ 5,322,001	$ 5,457,306
			$ 5,457,306

On July 12, 2016, the REIT announced that, further to its press release dated December 31, 2015 describing the execution of the lease amendment on the Property and the required capital investment in the Property by the REIT in the maximum amount of €140,000 (the "Capital Investment"), the REIT secured committed debt financing from the existing mortgage lender on the Property to fully finance the Capital Investment, which has been structured and funded by the Lender as an addition to the REIT's existing mortgage debt on the Property in the amount of €140,000. The Capital Investment is comprised of specified building improvements that Management believes will enhance the quality and functionality of the Property. To date, the REIT has completed €140,000 of the Capital Investment.

7. Unitholders' capital

(a) Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units (the "Special Voting Units"). Each Unit confers the right to one vote at any meeting of unitholders and to participate pro rata in all distributions by the REIT and, in the event of termination or winding up of the REIT, in the net assets of the REIT. The unitholders have the right to require the REIT to redeem their Units on demand. The Units have no par value. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall cease and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price"), as determined by a formula and outlined in the DOT. The Redemption Price will be paid in accordance with the conditions provided for in the DOT.

The Trustees have discretion in respect to the timing and amounts of distributions.

(b) Special voting units

The DOT and the exchange agreement provide for the issuance of the Special Voting Units which have no economic entitlement in the REIT or in the distribution or 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 the Class B LP Units. Each Special Voting Unit is not transferable separately from the Class B LP Unit to which it is attached and will be automatically redeemed and cancelled upon exchange of the attached Class B LP Unit into a Unit. As the Special Voting Units have no economic entitlement in the REIT, no value has been assigned to the Special Voting Units in these consolidated financial statements.

(c) Units outstanding

The following table summarizes the changes to Units for the year ended December 31, 2017 and the year ended December 31, 2016:

	Units		Amount
Balance, January 1, 2016	5,980,057		4,439,101
DRIP fractional units paid out in cash to Unitholders	(20)		-
Balance, December 31, 2016	5,980,037	$	4,439,101
Balance, December 31, 2017	5,980,037	$	4,439,101

On March 8, 2016, the REIT terminated its distribution reinvestment plan (the “DRIP”), as contemplated in the REIT’s management information circular dated February 19, 2016 and approved at the REIT’s special meeting of Unitholders on March 22, 2016. As a result, DRIP fraction units were cancelled and paid out in a nominal amount of cash to Unitholders.

8. Unit options

The REIT has adopted a Unit based compensation plan (the "Plan"). Under the terms of the Plan, the Board of Trustees of the REIT may from time to time, in its discretion, and in accordance with Exchange requirements, grant trustees, officers, employees and consultants to the REIT, non-transferable options to purchase REIT Units, exercisable for a period of up to five years from the date of grant. These Units vest according to the vesting schedule over a three year period from the grant date. The total numbers of REIT Units reserved under option for issuance may not exceed 10% of the REIT Units outstanding.

The fair value associated with the Unit options outstanding as at December 31, 2017 was calculated using the Black Scholes model for option valuation, assuming volatility of 10% on the underlying Units, distribution yield of 0%, and the risk-free rate of 1.05% (equivalent to the comparable term Government of Canada bond yield), and expected average remaining term of approximately 0.25 years. The fair value of the outstanding unit options was $nil as at December 31, 2017. The unit options expire on April 5, 2018.

9. Amounts payable and accrued liabilities

	December 31, 2017		December 31, 2016	
Amounts payable	**$**	**494**	$	8,370
Accrued liabilities		**70,643**		74,170
VAT payable		**19,902**		39,630
	$	**91,039**	$	122,170

10. Capital management

The REIT defines its capital as the aggregate of unitholders' equity and mortgages payable. The REIT's objectives when managing capital are to safeguard and build long-term unitholder value fund its ongoing long-term business strategies and provide reasonable returns to unitholders taking into account levels of risk.

The REIT's Declaration of Trust provides that total indebtedness of the REIT may not exceed 65% of the Gross Book Value as defined; as at December 31, 2017, this ratio was 48.6% according to the calculation as defined in the Declaration of Trust.

11. Risk management and fair values

(a) Risk management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Interest rate risk:

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining long-term mortgages with fixed interest rates minimizes cash flow risk. One of the REIT's outstanding mortgages is subject to floating interest rate. For the year ended December 31, 2017, a 100-basis-point change in interest rates would have resulted in a $27,341 change in the REIT`s interest expense.

(ii) 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. The REIT mitigates credit risk by depositing cash with and investing with chartered banks.

As at December 31, 2017, the REIT had a single tenant, resulting in concentration of credit risk. The REIT mitigates the credit risk with respect to the tenant by evaluating their creditworthiness on a periodic basis.

The REIT's amounts receivable of $1,450 are primarily input tax credits on HST paid, for which management consider the collection risk to be minimal.

(iii) 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 to meet obligations as they become due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT. Management's strategy mitigates the REIT's exposure to excessive amounts of debt maturing in any one year.

The estimated maturities of the REIT's financial liabilities, excluding options, are outlined below:

	Amounts payable and accrued liabilities	Long-term debt	Total
2018	$ 91,039	$ 5,457,306	$ 5,548,345
	$ 91,039	$ 5,457,306	$ 5,548,345

(iv) Currency risk:

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The REIT's functional and presentation currency is Canadian dollars. The REIT's operating subsidiaries' functional currency is the Euro; accordingly the assets and liabilities are translated at the prevailing rate at period-end, and comprehensive income is translated at the average rate for the period. The REIT may periodically enter into derivative contracts to manage part of the foreign exchange risk exposures.

For the year ended December 31, 2017, a $0.10 strengthening in the Euro against the Canadian dollar would have increased net income by approximately $100,000 and unrealized foreign currency translation adjustment included in other comprehensive loss by approximately $794,000. Conversely, a $0.10 weakening in the Euro against the Canadian dollar would have had an equal but opposite effect.

(b) Fair values

The fair values of the REIT's financial assets, which include cash and other receivables, as well as financial liabilities, which include tenant rental deposits, finance costs payable and accounts payable and accrued liabilities, approximate their recorded values due to their short-term nature.

The REIT uses a fair value hierarchy to categorize the type of valuation techniques from which fair values are derived. The REIT's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The following table provides information on financial assets and liabilities measured at fair value as at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Financial assets				
Investment property	$ -	$ 11,020,000	$ -	$ 11,020,000
Total financial assets	$ -	$ 11,020,000	$ -	$ 11,020,000
Financial liabilities				
Mortgages payable	$ -	$ 5,457,306	$ -	$ 5,457,306
Total financial liabilities	$ -	$ 5,457,306	$ -	$ 5,457,306

There were no transfers between Level 1, Level 2 or Level 3 for the year ended December 31, 2017.

12. Management Compensation

Key management personnel have received $157,723 as employment compensation for the year ended December, 2017 and $211,172 for the year ended December 31, 2016.

In the prior year, as part of the expanded scope of the REIT's value maximization process, severance costs relating to key management personnel in the amount of $190,000 were accrued and expensed within general and administrative expenses. Due to changes in circumstances regarding the sale of the Property, it was determined this severance accrual no longer meets the recognition criteria of IAS 19, Employee Benefits, and this amount was reversed through general and administrative expenses in the current year.

13. Operating lease

The REIT receives rental income from an operating lease. The minimum future base rent payments to the REIT under this non-cancelable operating lease is $961,740 annually for 2018 to 2026. The rent is inflation indexed annually on January 1.

14. Income taxes

The REIT has certain subsidiaries in the Netherlands that are taxable for income tax purposes in the Netherlands. The effective tax rate for the year differs from the expected statutory tax rate in the Netherlands as a result of the following:

		December 31 2017		December 31 2016
Statutory income tax rates in the Netherlands on taxable income		25%		25%
Statutory income tax rates applied to accounting income	$	232,303	$	10,053
Taxable (loss) income attributable to unitholders and other		(86,303)		51,947
Provision for income taxes	$	146,000	$	62,000

The following table reflects the REIT's deferred income tax assets (liabilities):

		December 31 2017		December 31 2016
Deferred tax liabilities related to difference in tax and book basis of investment property	$	(230,000)	$	(77,000)
Deferred tax assets related to tax loss carry forward		22,000		15,000
Deferred tax assets (liabilities)	$	(208,000)	$	(62,000)

15. Comparative figures

Certain comparative figures for 2016 have been reclassified to conform to the consolidated financial statement presentation adopted for 2017.