



Consolidated Financial Statements
(In Canadian Dollars)

For the year ended December 31, 2014 and
the period from January 15, 2013 to December 31, 2013



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, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, and the consolidated statements of income and comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 audit 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, 2014 and December 31, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Halifax, Canada
March 3, 2015

Grant Thornton LLP

Chartered Accountants

Maplewood International Real Estate Investment Trust

Consolidated Balance Sheet

As at December 31, 2014

(In Canadian Dollars)

	Note	December 31, 2014	December 31, 2013
Assets			
Non-current assets			
Investment property	5	\$ 10,319,000	\$ 9,940,000
		10,319,000	9,940,000
Current assets			
Cash and cash equivalents		91,422	711,264
Amounts receivable and other assets	6	61,720	96,410
		153,142	807,674
Total assets		\$ 10,472,142	\$ 10,747,674
Liabilities and Equity			
Non-current liabilities			
Long-term debt	7	\$ 5,241,440	\$ 5,625,076
Class B LP Units	8	2,975,000	11,812,500
Unit options	10	28,940	88,174
		8,245,380	17,525,750
Current Liabilities			
Amounts payable and accrued liabilities	11	598,172	874,583
Prepaid rents		-	332,463
Warrants	12	24,556	129,149
Distributions payable	13	-	131,043
Current portion of long-term debt	7	157,899	164,500
Unit options	10	98,626	229,019
		879,253	1,860,757
Total liabilities		9,124,633	19,386,507
Unitholders' equity (deficiency)		1,347,509	(8,638,833)
Total liabilities and unitholder's equity		\$ 10,472,142	\$ 10,747,674

On behalf of the Board of Trustees:

"Nick Kanji" _____ Trustee

"Kursat Kacira" _____ Trustee

Maplewood International Real Estate Investment Trust

Consolidated Statements of Income and Comprehensive Income

Year ended December 31, 2014 with comparative figures for the period from January 15, 2013

(date of incorporation) to December 31, 2013

(In Canadian Dollars)

	Note	For the year ended December 31 2014	For the period from January 15 (date of incorporation) to December 31 2013
Investment property revenue		\$ 1,108,986	\$ 317,999
Investment property operating expenses		(74,584)	(17,731)
Net property income		1,034,402	300,268
Finance costs - operations		(236,781)	(70,722)
Finance costs - distributions on Class B LP Units		(297,544)	(347,136)
Plan of arrangement costs		-	(950,946)
General and administrative expenses		(400,454)	(128,083)
Asset management fees		(37,068)	(11,120)
Due diligence costs	18	(85,160)	-
Unit-based compensation recovery (expense)		175,860	(245,995)
Interest income		44	11,446
Operating income (loss)		153,299	(1,442,288)
Fair value adjustment to investment property	5	758,596	(705,928)
Fair value adjustment to warrants	12	104,593	130,386
Fair value adjustment to Class B LP Units	8	8,725,000	(8,812,500)
Net income (loss)		9,741,488	(10,830,330)
Other comprehensive (loss) income			
Foreign currency translation adjustments		(218,265)	224,183
Comprehensive income (loss)		\$ 9,523,223	\$ (10,606,147)

See accompanying notes to the consolidated financial statements.

Maplewood International Real Estate Investment Trust

Consolidated Statement of Changes in Unitholders' Equity

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

	Unit capital	Deficit	Accumulated other comprehensive income	Total
Unitholders' equity at January 1, 2014	\$ 2,249,262	\$ (11,112,278)	\$ 224,183	\$ (8,638,833)
Distributions paid (Note 13)	-	(101,095)	-	(101,095)
Class B LP Units exchanged for REIT Units	112,500	-	-	112,500
Options exercised	37,767	-	-	37,767
Distribution reinvestment plan (Note 13)	413,947	-	-	413,947
Net income and comprehensive income	-	9,741,488	(218,265)	9,523,223
Unitholders' equity at December 31, 2014	\$ 2,813,476	\$ (1,471,885)	\$ 5,918	\$ 1,347,509

	Unit capital	Deficit	Accumulated other comprehensive loss	Total
Shareholders' equity at January 15, 2013	\$ -	\$ -	\$ -	\$ -
Units issued, net of issuance costs	1,992,938	-	-	1,992,938
Distributions paid	-	(75,556)	-	(75,556)
Distributions payable	-	(31,859)	-	(31,859)
Distribution reinvestment plan	256,324	-	-	256,324
Net loss and comprehensive loss	-	(10,830,330)	224,183	(10,606,147)
Fair value adjustments on conversion to Unit options and warrants from share options and warrants	-	(174,533)	-	(174,533)
Unitholders' equity at December 31, 2013	\$ 2,249,262	\$ (11,112,278)	\$ 224,183	\$ (8,638,833)

Maplewood International Real Estate Investment Trust

Consolidated Statement of Cash Flows

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

	For the year ended December 31 2014	For the period from January 15 (date of incorporation) to December 31 2013
Cash flows from operating activities:		
Net income (loss)	\$ 9,741,488	\$(10,830,330)
Fair value adjustment to investment property	(758,596)	705,928
Fair value adjustment to warrants	(104,593)	(130,386)
Fair value adjustment to Class B LP Units	(8,725,000)	8,812,500
Amortization of financing costs	12,180	3,929
Unit-based compensation (recovery) expense	(175,860)	245,995
Finance costs - distributions on Class B LP Units	297,544	347,136
Change in non-cash working capital items:		
Amounts receivable and other assets	34,690	(96,410)
Amounts payable and accrued liabilities	(276,411)	874,583
Prepaid rents	(332,463)	332,463
Cash flow from operating activities	(287,021)	265,408
Cash flows from financing activities:		
Proceeds from issuance of common shares and Units, net of issuance costs	-	5,149,139
Proceeds from new long-term debt financing	-	5,491,200
Long-term debt financing cost	-	(56,972)
Principal repayment of long-term debt	(169,632)	(44,181)
Distributions paid to unitholders	(115,735)	(67,184)
Proceeds from the issuance of Units under Unit option plan	24,000	-
Cash flow from financing activities	(261,367)	10,472,002
Cash flows from investing activities:		
Acquisition of investment property	-	(10,032,499)
Building improvements	(61,152)	-
Cash flow used in investing activities	(61,152)	(10,032,499)
(Decrease) increase in cash and cash equivalents during the period	(609,540)	704,911
Effect of exchange rate change on cash	(10,302)	6,353
Cash and cash equivalents, beginning of period	711,264	-
Cash and cash equivalents, end of period	\$ 91,422	\$ 711,264

See accompanying notes to the consolidated financial statements.

Maplewood International Real Estate Investment Trust

Notes to the Consolidated Financial Statements

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

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 and 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 "Exchange"). 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 Exchange 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 Exchange, 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 now the continuing public entity with its Units listed on the Exchange, 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 3, 2015.

Maplewood International Real Estate Investment Trust

Notes to the Consolidated Financial Statements

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

(b) Basis of presentation and consolidation

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	Class A Units are owned by REIT, Class B LP Units are owned by Class B LP Holders, 0.01% owned by MIGP
Maplewood International Operating General Partnership Corporation ("MIOGP")	Corporation	100% owned by MILP
Maplewood International Operating Limited Partnership ("MIOLP")	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

These consolidated financial statements have been prepared on a historical cost basis except for investment properties, Class B LP Units and the Unit options and warrants, which are measured at fair values.

These consolidated financial statements are presented in Canadian dollars which is also the functional currency of the REIT.

Maplewood International Real Estate Investment Trust

Notes to the Consolidated Financial Statements

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

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 property 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 tenant under the terms of their existing lease. 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.

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(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) Class B LP Units

The Class B LP Units are exchangeable into REIT Units at the option of the holder. The REIT Units are puttable and, therefore, the Class B LP Units meet the definition of a financial liability under IAS 32. Further, the Class B LP Units are designated as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period, based upon the value of a REIT Unit, as the Class B LP Units are exchangeable into REIT Units. Any changes in fair value are recorded in income or loss. The distributions paid on the Class B LP Units are accounted for as finance costs when declared payable by the Board of Trustees.

(f) 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.

Maplewood International Real Estate Investment Trust

Notes to the Consolidated Financial Statements

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

(g) 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		
Class B LP Units	Fair value through profit and loss	Fair value
Amounts payable and other liabilities	Other financial liabilities	Amortized cost
Long-term liabilities	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost
Financial Derivatives		
Unit options	Fair value through profit and loss	Fair value
Warrants	Fair value through profit and loss	Fair value

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.

Maplewood International Real Estate Investment Trust

Notes to the Consolidated Financial Statements

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(In Canadian Dollars)

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.

(h) 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.

(i) Warrants

Awards of warrants related to private placements or public offerings of Units are treated as Unit issuance costs. The fair values of warrants granted are estimated on the date of grant and subsequently using the Black-Scholes option pricing model. Units of the REIT are considered puttable financial instruments; therefore, subsequent to initial recognition, warrants are measured at fair value at each reporting date and are presented as liabilities. Changes in fair value are recognized in net income as a fair value gain or loss.

(j) 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.

Maplewood International Real Estate Investment Trust

Notes to the Consolidated Financial Statements

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(In Canadian Dollars)

(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:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) 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
- (iii) all resulting exchange differences are recognized in other comprehensive income.

(k) 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.

(l) 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 payable by the Board of Trustees.

(m) Critical Accounting Judgements, Estimates and Assumptions

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

Critical judgements

- (i) Accounting for acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with

Maplewood International Real Estate Investment Trust

Notes to the Consolidated Financial Statements

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

the acquisition and whether or not goodwill is recognized. The REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) 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).

(iii) Classification of REIT Units and Class B LP Units

The REIT has considered the criteria in IAS 32 to classify the REIT Units as equity based on the puttable exemption. These criteria have also been considered with respect to Class B LP Units, and management has determined that these instruments are liabilities, as they do not have identical features to REIT Units and are not the most subordinated instrument.

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 financial statements. The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Investment property

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 which are used in internal valuation process. If there is any change in these assumptions, the fair value of property investments may change materially.

(ii) 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 and warrants include the estimated forfeitures on the grants, the life of the Unit options, and the market price, volatility and distribution yield of Units.

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Notes to the Consolidated Financial Statements

Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

(n) Changes in accounting policies

The following are new and revised standards that are effective for annual periods beginning on or after January 1, 2014.

IFRS Interpretation Committee ("IFRIC") 21, "Levies" ("IFRIC 21")

The REIT has adopted IFRIC 21, with a date of initial application of January 1, 2014. IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities, and Contingent Assets. IFRIC 21 is to be applied retrospectively. The REIT has assessed the impact of adopting IFRIC 21 and concluded there were no significant impacts on the consolidated financial statements.

(o) 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.

The tentative mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. Early application is still permitted. Management is currently evaluating the impact of this standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, with early adoption permitted and is to be applied retrospectively. Management is currently evaluating the impact of these future policies on its consolidated financial statements

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Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

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4. Acquisitions

There have been no asset acquisitions for the year ended December 31, 2014. The following asset acquisition was completed during the period ended December 31, 2013. The fair value of consideration including acquisition costs has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Initial Property
Net assets and liabilities acquired:	
Investment property (including transaction costs)	\$ 10,104,628
Receivables and other assets	5,410
	\$ 10,110,038
Consideration paid, funded by:	
New mortgage financing, net of financing costs of \$56,972	\$ 5,434,228
Cash paid by the REIT	4,675,810
	\$ 10,110,038

5. Investment property

The reconciliation of the carrying amount of investment properties for the year ended December 31, 2014 and the period from January 15, 2013 to December 31, 2013 is set out below:

Balance, January 15, 2013	\$ -
Investment property acquisition, including acquisition costs of \$705,928	10,104,628
Fair value adjustment to investment property	(705,928)
Foreign currency translation	541,300
Balance, December 31, 2013	9,940,000
Building improvements	61,152
Fair value adjustment to investment property	758,596
Foreign currency translation	(440,748)
Balance, December 31, 2014	\$ 10,319,000

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As at December 31, 2014, the fair value of the investment property was determined by management to be \$10,319,000 using the discounted cash flow method with a discount rate of 8.5% and a terminal capitalization rate of 8.75%. Management determines fair value 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 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 a discount rate and a terminal capitalization rate.

6. Amounts receivable and other assets

	December 31, 2014	December 31, 2013
Amounts receivable	\$ 61,720	\$ 93,155
Deferred acquisition costs	-	3,255
	<u>\$ 61,720</u>	<u>\$ 96,410</u>

7. Long-term debt

As at December 31, 2014, the REIT had \$5,442,360 (€3,850,000) of principal mortgages payable. The mortgages carry a weighted average interest rate of 3.82% and a weighted average term to maturity of 3.75 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
2015	\$ 169,632	\$ -	\$ 169,632
2016	169,632	-	169,632
2017	169,632	-	169,632
2018	127,224	4,806,240	4,933,464
Face value			5,442,360
Unamortized financing costs			(43,021)
			<u>\$ 5,399,339</u>

Maplewood International Real Estate Investment Trust

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Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

The following table provides a breakdown of current and non-current portions of mortgages payable at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Current:		
Mortgages payable	\$ 169,632	\$ 176,724
Unamortized financing costs	(11,733)	(12,224)
	157,899	164,500
Non-current:		
Mortgages payable	5,272,728	5,669,895
Unamortized financing costs	(31,288)	(44,819)
	5,241,440	5,625,076
	\$ 5,399,339	\$ 5,789,576

8. Class B LP Units

Pursuant to the Plan of Arrangement completed on September 9, 2013, 35,000,000 common shares of the Corporation were exchanged for 4,375,000 Class B LP Units in MILP on the basis of one Class B LP Unit for every eight common shares of the Company, resulting in 4,375,000 Class B LP Units being issued.

The Class B Units are economically equivalent to REIT Units and are entitled to receive distributions equal to those provided to holders of REIT Units. These Class B Units have been classified as a liability in accordance with IFRS.

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(In Canadian Dollars)

The following table shows the change in the carrying value of the Class B Units outstanding for the year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013:

	Class B LP Units	Amount
Outstanding, January 15, 2013	-	\$ -
Issuance of Class B LP Units	4,375,000	3,000,000
Fair value adjustment	-	8,812,500
Outstanding, December 31, 2013	4,375,000	11,812,500
Class B LP Units exchanged for REIT Units	(125,000)	(112,500)
Fair value adjustment	-	(8,725,000)
Outstanding, December 31, 2014	4,250,000	\$ 2,975,000

Upon completion of the Plan of Arrangement on September 9, 2013, the Class B LP Units were recorded at a cost of \$0.80. The fair value of Class B LP Units at December 31, 2014 was determined based on the trading price of REIT Units of \$0.70 (\$2.70 at December 31, 2013).

9. 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 ("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.

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Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

(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 shares and Units for the year ended December 31, 2014 and the period from January 15, 2013 to December 31, 2013:

	Shares	Units	Amount
	(000's)		
Balance, January 15, 2013	-	-	\$ -
Common shares issued for cash (seed financing)	10,000	-	500,000
Common shares issued for cash (private placement)	26,500	-	2,650,000
Balance, March 31, 2013	36,500	-	3,150,000
Common shares issued for cash (initial public offering)	4,000	-	400,000
Share issuance costs and agent's options	-	-	(173,424)
	40,500	-	3,376,576
Common shares exchanged for REIT Units (one REIT Unit for every eight common shares)	(5,500)	687,500	-
Common shares exchanged for Class B LP Units (one Class B LP Unit for every eight common shares)	(35,000)	-	(3,000,000)
Units issued for cash (private placement)	-	625,000	2,000,000
Unit issuance costs (private placement)	-	-	(383,638)
Distribution reinvestment plan	-	92,838	256,324
Balance, December 31, 2013	-	1,405,338	2,249,262
Distribution reinvestment plan	-	169,719	413,947
Class B LP Units exchanged for REIT Units	-	125,000	112,500
Options exercised	-	30,000	37,767
Balance, December 31, 2014	-	1,730,057	\$ 2,813,476

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(In Canadian Dollars)

On February 7, 2013, the Corporation issued 10,000,000 common shares for cash of \$500,000 in a seed financing. These shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement entered into between the Corporation and the seed shareholders.

On February 8, 2013, the Corporation issued 26,500,000 common shares for cash of \$2,650,000 in a private placement. Of these 26,500,000 common shares, 19,500,000 common shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement entered into between the Corporation and the shareholders of the private placement.

On April 5, 2013, the Corporation issued 4,000,000 common shares for cash of \$400,000 in an initial public offering (the "Initial Public Offering"). Costs related to the issuance, including the agent's commission, legal, audit and filing fees, of \$173,424 were charged directly to shareholders' equity.

In connection with the Initial Public Offering, the Corporation granted on the closing date to the agent of the offering, warrants to purchase up to 400,000 common shares, at a price of \$0.10 per share. The agent's warrants will expire 24 months from the date the common shares of the Corporation are listed on the Exchange. The fair value of warrants issued have been included in unit issuance costs.

On April 11, 2013, the Corporation's common shares began trading on the Exchange.

The Plan of Arrangement was completed September 9, 2013, whereby 5,500,000 common shares of the Corporation were exchanged for REIT Units on the basis of one REIT Unit for every eight common shares of the Company (687,500 REIT Units at a value of \$376,576). The remaining 35,000,000 common shares were exchanged for Class B LP Units in MILP on the basis of one Class B LP Unit for every eight common shares of the Company (4,375,000 Class B LP Units at a value of \$3,000,000). On completion of the Plan of Arrangement, the REIT issued 625,000 Private Placement Units which include one Unit and one warrant by way of a private placement at \$3.20 per Unit for gross proceeds of \$2,000,000. Each warrant entitles the holder to purchase a Unit at an exercise price of \$3.20 within 24 months of the date of issuance.

10. 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.

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(In Canadian Dollars)

Pursuant to the Plan of Arrangement approved by the Corporation's shareholders and the Exchange, 4,050,000 of outstanding options, issued at an exercise price of \$0.10 per share to purchase shares in the Corporation, were exchanged for 506,250 Unit options at an exercise price of \$0.80 per Unit option. The Unit options have terms identical to the share options. As part of this exchange, the fair value adjustment on conversion has been recognized through deficit.

The fair value associated with the Unit options outstanding as at December 31, 2014 was calculated using the Black Scholes model for option valuation, assuming volatility of 109% on the underlying Units, distribution yield of 0%, and the risk-free rate of 1.02% (equivalent Government of Canada bond yield) that corresponds to the option life and expected average remaining life of 2.0 years. An average vesting probability of 93% was used to determine the compensation expense.

	Number of share options	Number of Unit options	Weighted average exercise price
Balance, January 15, 2013	-	-	\$ -
Granted	4,050,000	-	0.10
Exchange of share options for Unit options	(4,050,000)	506,250	0.80
Balance, December 31, 2013	-	506,250	\$ 0.80
Options exercised on November 12, 2014		(30,000)	0.80
Balance, December 31, 2014	-	476,250	\$ 0.80
Exercisable, December 31, 2013		-	
Exercisable, December 31, 2014		138,750	

11. Amounts payable and accrued liabilities

	December 31, 2014	December 31, 2013
Legal fees payable	\$ 439,973	\$ 639,973
Other amounts payable	28,572	110,975
Accrued liabilities	74,842	70,917
VAT payable	54,785	52,718
	\$ 598,172	\$ 874,583

12. Warrants

On April 5, 2013, in connection with the Initial Public Offering, the Corporation granted on the closing date to the agent of the offering, an option to purchase up to 400,000 common shares, at a price of \$0.10 per share. The agent's warrants will expire 24 months from the date the common shares of the Corporation are listed on the Exchange.

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(In Canadian Dollars)

Pursuant to the Plan of Arrangement approved by the Corporation's shareholders and the Exchange, 400,000 of outstanding warrants, issued at an exercise price of \$0.10 per share to purchase shares in the Corporation, have been exchanged for 50,000 REIT Unit warrants at an exercise of \$0.80 per Unit warrant. The Unit warrants have terms identical to the share warrants. As part of this exchange, the fair value adjustment on conversion has been recognized through deficit.

	Number of share warrants	Number of Unit warrants	Weighted average exercise price
Balance, January 15, 2013	-	-	\$ -
Granted	400,000	-	0.10
Exchange of share options for Unit options	(400,000)	50,000	0.80
Balance, December 31, 2014 and December 31, 2013	-	50,000	\$ 0.80
Exercisable, end of period		50,000	

The fair value associated with these agent's warrants outstanding as at December 31, 2014 was calculated using the Black Scholes model for option valuation, assuming volatility of 109% on the underlying Units, distribution yield of 0%, and the risk-free rate of 0.91%.

On September 10, 2013, the REIT issued 625,000 Private Placement Units which include one Unit and one warrants by way of a private placement at \$3.20 per Unit for gross proceeds of \$2,000,000. Each warrant entitles the holder to purchase a Unit at an exercise price of \$3.20 within 24 months of the date of issuance.

	Number of Units warrants	Weighted average exercise price
Balance, January 15, 2013	-	\$ -
Granted	625,000	3.20
Balance, December 31, 2014 and December 31, 2013	625,000	\$ 3.20
Exercisable, end of period	625,000	

The fair value associated with these private placement warrants outstanding as at December 31, 2014 was calculated using the Black Scholes model for option valuation, assuming volatility of 109% on the underlying Units, distribution yield of 0%, and the risk-free rate of 0.99%. The remaining contractual life of the outstanding warrants is 0.75 years.

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(In Canadian Dollars)

13. Distributions

The following table breaks down distribution payments for the year ended December 31, 2014:

	REIT Units	Class B LP Units	
Paid in cash	\$ 107,249	\$ 8,486	\$ 115,735
Paid by way of reinvestment in REIT Units	25,705	388,242	413,947
Less: payable at December 31, 2013	(31,859)	(99,184)	(131,043)
	101,095	297,544	398,639
Plus: payable at December 31, 2014	-	-	-
Total	\$ 101,095	\$ 297,544	\$ 398,639

On April 17, 2014, the REIT's Board of Trustees announced an amendment to the REIT's distribution policy to suspend monthly cash distributions to unitholders, effective immediately.

14. Capital management

The REIT defines its capital as the aggregate of unitholders' equity, Class B LP Units, 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, 2014, this ratio was 51.6% according to the calculation as defined in the Declaration of Trust.

15. 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, 2014, a 100-basis-point change in interest rates would have resulted in a \$28,900 change in the REIT's interest expense.

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Notes to the Consolidated Financial Statements

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(In Canadian Dollars)

(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, 2014, 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 \$61,720 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 and warrants, are outlined below:

	Amounts payable and accrued liabilities	Class B LP Units	Long term debt	Total
2015	\$ 598,172	\$ -	\$ 169,632	\$ 767,804
2016	-	-	169,632	169,632
2017	-	-	169,632	169,632
2018 and thereafter	-	2,975,000	4,933,464	7,908,464
	\$ 598,172	\$ 2,975,000	\$ 5,442,360	\$ 9,015,532

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Year ended December 31, 2014 and the period from January 15, 2013 (date of incorporation) to December 31, 2013

(In Canadian Dollars)

(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, 2014, a \$0.10 strengthening in the Euro against the Canadian dollar would have decreased net loss by approximately \$105,000 and unrealized foreign currency translation adjustment included in other comprehensive loss by approximately \$397,000. 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 uses 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, 2014:

	Level 1	Level 2	Level 3	Total
Financial assets				
Investment property	\$ -	\$ -	\$ 10,319,000	\$ 10,319,000
Total financial assets	\$ -	\$ -	\$ 10,319,000	\$ 10,319,000
Financial liabilities				
Mortgages payable	\$ -	\$ 5,442,000	\$ -	\$ 5,442,000
Class B LP Units	-	2,975,000	-	2,975,000
Unit options	-	127,566	-	127,566
Warrants	-	24,556	-	24,556
Total financial liabilities	\$ -	\$ 8,569,112	\$ -	\$ 8,569,112

There were no transfers between Level 1, Level 2 or Level 3 for the year ended December 31, 2014.

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16. Management Compensation

Key management personnel have received \$208,550 as employment compensation for the year ended December 31, 2014, and \$38,094 for the period from January 15, 2013 to December 31, 2013. Key management personnel have been granted 321,875 Unit options.

17. Operating lease

The REIT receives rental income from operating leases. The minimum future base rent payments to the REIT under non-cancelable operating leases for the period of January 1, 2015 to March 31, 2016 is \$1,346,017. On April 1, 2016, the base rent will be subject to a mark-to-market adjustment to be negotiated between the landlord and the tenant.

Operating lease payments representing rental payments by the REIT for its head office is \$25,470 for the period from January 1, 2015 to October 31, 2014. The head office lease has been renewed for a one year term from November 1, 2014 to October 31, 2015 with total rental payments of \$30,564.

18. Due diligence costs

During the year ended December 31, 2014, due diligence costs of \$85,160 incurred by the REIT with respect to conditional property acquisitions were expensed as the REIT will not proceed any further with the acquisitions.

19. 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:

	For the year ended December 31, 2014	For the period from January 15, 2013 to December 31, 2013
Statutory income tax rates in the Netherlands on taxable income	25%	25%
Statutory income tax rates applied to accounting income	2,435,372	(2,707,583)
Taxable (loss) income attributable to unitholders	(2,348,971)	2,506,083
Benefit of tax losses (recognized)/not recognized	(86,401)	201,500
Provision for income taxes	-	-

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(In Canadian Dollars)

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

	As at December 31, 2014	As at December 31, 2013
Deferred tax liabilities related to difference in tax and book basis of investment property	(86,401)	-
Deferred tax assets related to tax loss carryforward	86,401	-
Deferred tax assets (liabilities)	-	-

In the prior year, the REIT's wholly owned subsidiary, Maplewood International Operating Limited Partnership, had net operating losses in the Netherlands of approximately \$114,900 that were not recognized as it was not probable that taxable profits would be available against which they can be utilized. Generally, under Dutch tax law the period for carrying back losses is limited to one year, while the carry-forward period for losses incurred in financial years starting on or after January 1, 2003 is limited to nine years after the financial year in which they occur. Maplewood International Operating Limited Partnership had other deductible temporary differences of approximately \$677,400 for income tax purposes in the Netherlands for which no deferred tax asset was recognized.