MAPLEWOOD
INTERNATIONAL REIT

Condensed Consolidated Interim Financial Statements

(In Canadian dollars)

For the three months ended March 31, 2014

(Unaudited)

Maplewood International Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheet (unaudited)

(In Canadian Dollars)

	Note	March 31, 2014	December 31, 2013
Assets			
Non-current assets			
Investment property	5	$ 10,651,000	$ 9,940,000
		10,651,000	9,940,000
Current assets			
Cash and cash equivalents		273,663	711,264
Amounts receivable and other assets	6	206,624	96,410
		480,287	807,674
Total assets		$ 11,131,287	$ 10,747,674
Liabilities and Equity			
Non-current liabilities			
Long-term debt	7	5,769,362	$ 5,625,076
Class B LP Units	8	10,325,000	11,812,500
Unit options	10	181,754	88,174
		16,276,116	17,525,750
Current Liabilities			
Amounts payable and accrued liabilities		928,699	874,583
Prepaid rents		-	332,463
Warrants	11	79,276	129,149
Distributions payable	12	133,894	131,043
Current portion of long-term debt	7	169,963	164,500
Unit options	10	96,222	229,019
		1,408,054	1,860,757
Total liabilities		17,684,170	19,386,507
Unitholders' deficiency		(6,552,883)	(8,638,833)
Total liabilities and unitholders’ deficiency		$ 11,131,287	$ 10,747,674

On behalf of the Board of Trustees:

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

See accompanying notes to the condensed consolidated interim financial statements.

Maplewood International Real Estate Investment Trust

Condensed Consolidated Interim Statements of Income and Comprehensive Income (unaudited)

(In Canadian Dollars)

	Note	For the three months ended March 31, 2014	For the period from January 15 (date of incorporation) to March 31, 2013
Investment property revenue		$ 281,871	$ -
Investment property operating expenses		(16,791)	-
Net operating income		265,080	-
Finance costs - operations		(61,023)	-
Finance costs - distributions on Class B LP Units		(297,544)	-
General and administrative expenses		(123,387)	(12,869)
Unit-based compensation recovery		39,217	-
Interest income		35	-
Operating loss		(177,622)	(12,869)
Fair value adjustment to investment property	5	377,700	-
Fair value adjustment to warrants	9	49,873	-
Fair value adjustment to Class B LP Units	8	1,487,500	-
Net income (loss)		1,737,451	(12,869)
Other comprehensive income			
Foreign currency translation adjustments		141,339	-
Comprehensive income (loss)		$ 1,878,790	$ (12,869)

See accompanying notes to the condensed consolidated interim financial statements.

Maplewood International Real Estate Investment Trust

Condensed Consolidated Interim Statement of Changes in Unitholders' Equity (unaudited)

Three months ended March 31, 2014 and period from

January 15, 2013 (date of incorporation) to March 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 12)	-	(66,382)	-	(66,382)
Distributions payable (Note 12)	-	(34,713)	-	(34,713)
Distribution reinvestment plan (Note 12)	308,255	-	-	308,255
Net income and comprehensive income	-	1,737,451	141,339	1,878,790
Unitholders' equity at March 31, 2014	$ 2,557,517	$ (9,475,922)	$ 365,522	$ (6,552,883)

	Share capital	Deficit	Accumulated other comprehensive income	Total
Unitholders’ equity at January 15, 2013	$ -	$ -	$ -	$ -
Common shares issued	3,150,000	-	-	3,150,000
Net loss for the period	-	(12,869)	-	(12,869)
Unitholders’ equity at March 31, 2013	$ 3,150,000	$ (12,869)	$ -	$ 3,137,131

See accompanying notes to the condensed consolidated interim financial statements.

Maplewood International Real Estate Investment Trust

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

(In Canadian Dollars)

	For the three months ended March 31, 2014	For the period from January 15 (date of incorporation) to March 31, 2013
Cash flows from operating activities:		
Net income (loss)	$ 1,737,451	$ (12,869)
Fair value adjustment to investment property	(377,700)	-
Fair value adjustment to warrants	(49,873)	-
Fair value adjustments to Class B LP Units	(1,487,500)	-
Amortization of financing costs	3,153	-
Unit-based compensation recovery	(39,217)	-
Finance costs - distributions on Class B LP Units	297,544	-
Change in non-cash working capital items:		
Receivables and other assets	(110,214)	(368)
Amounts payable and accrued liabilities	54,116	5,000
Prepaid rents	(332,463)	-
Cash flow from operating activities	**(304,703)**	**(8,237)**
Cash flows from financing activities:		
Proceeds from issuance of common shares	-	3,150,000
Principal repayments of long-term debt	(45,647)	-
Distributions paid to unitholders	(87,533)	-
Deferred costs related to financing activities	**-**	(149,000)
Accrued liabilities related to financing activities	**-**	149,000
Cash flow from financing activities	**(133,180)**	**3,150,000**
Increase (decrease) in cash and cash equivalents during the period	(437,883)	3,141,763
Effect of exchange rate change on cash	282	-
Cash and cash equivalents, beginning of period	711,264	-
Cash and cash equivalents, end of period	**$ 273,663**	**$ 3,141,763**

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of operations

Maplewood International Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust ("DOT") dated May 30, 2013 and amended on September 9, 2013, under the laws of the Province of Ontario. The registered office of the REIT is located at 2425 Matheson Blvd. 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 Corporation's shares were listed for trading on the Exchange on April 11, 2013. Prior to entering the Plan of Arrangement on September 9, 2013, there were 40,500,000 shares of the Corporation issued and outstanding.

Pursuant to a 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and do not include all of the information required for full annual financial statements and using accounting policies described herein.

These condensed consolidated interim financial statements were authorized for issue by the REIT's Board of Trustees on May 21, 2014.

(b) Basis of presentation and consolidation

The condensed consolidated interim 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 condensed consolidated interim 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 ("MIOLP")	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 condensed consolidated interim 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 condensed consolidated interim financial statements are presented in Canadian dollars which is also the functional currency of the REIT.

3. Significant accounting policies

Except as described below, the accounting policies applied by the REIT in these unaudited condensed consolidated interim financial statements are the same as those applied by the REIT as at December 31, 2013 and for the period from January 15, 2013 to December 31, 2013.

(a) Changes in accounting policies

The following are new 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 unaudited condensed consolidated interim financial statements.

(b) 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.

4. Acquisitions

There have been no asset acquisitions for the three months ended March 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:

(In Canadian Dollars)

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 the investment property for the three months ended March 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 adjustments to investment property		(705,928)
Foreign currency translation		541,300
Balance, December 31, 2013		9,940,000
Fair value adjustments to investment property		377,700
Foreign currency translation		333,300
Balance, March 31, 2014	$	10,651,000

As at March 31, 2014, the fair value of the investment property was determined by Management to be $10,651,000 using a discounted cash flow method with a discount rate of 9.5% and a terminal capitalization rate of 9.5%. 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 the stabilized net operating income. 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.

(In Canadian Dollars)

6. Amounts receivable and other assets

	March 31, 2014	December 31, 2013
Amounts receivable	$ 86,060	$ 93,155
Deferred acquisition costs	89,393	3,255
Prepaid expenses	31,171	-
	$ 206,624	$ 96,410

7. Long-term debt

As at March 31, 2014, the REIT had $5,995,104 (€3,940,000) of principal mortgages payable. The mortgages carry a weighted average interest rate of 3.92% and a weighted average term to maturity of 4.5 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
2014 - remainder of the year	$ 136,944	$ -	$ 136,944
2015	182,592	-	182,592
2016	182,592	-	182,592
2017	182,592	-	182,592
2018	136,944	5,173,440	5,310,384
Face value			5,995,104
Unamortized financing costs			(55,779)
			$ 5,939,325

(In Canadian Dollars)

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

	March 31, 2014	December 31, 2013
Current:		
Mortgages payable	$ 182,592	$ 176,724
Unamortized financing costs	(12,629)	(12,224)
	169,963	164,500
Non-current:		
Mortgages payable	5,812,512	5,669,895
Unamortized financing costs	(43,150)	(44,819)
	5,769,362	5,625,076
	$ 5,939,325	$ 5,789,576

8. Class B LP Units

Pursuant to a Plan of Arrangement which was 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.

The following table shows the change in the carrying value of the Class B Units outstanding for the three months ended March 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
Fair value adjustment	-	(1,487,500)
Outstanding, March 31, 2014	4,375,000	$ 10,325,000

Upon closing of Plan of Arrangement on September 9, 2013, the Class B LP Units were recorded at cost of $0.80. The fair value of Class B LP Units at March 31, 2014 was determined based on the trading price of REIT Units of $2.36 ($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.

(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 condensed consolidated interim financial statements.

(c) Units outstanding

The following table summarizes the changes to shares and Units for the three months ended March 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	-	125,871	308,255
Balance, March 31, 2014	-	1,531,209	$ 2,557,517

On February 7, 2013, the Corporation issued 10,000,000 common shares for cash of $500,000 in its seed financing. The shares were held in escrow and were released in future periods in accordance with the Escrow Agreement to be entered into between the Corporation and 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 were held in escrow and were released in future periods in accordance with the Escrow Agreement to be 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 sale to the public (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 unitholders' 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, comprised of one REIT Unit and one warrant at a price of $3.20 per Private Placement Unit, for gross proceeds of $2,000,000. Each warrant entitles the holder to purchase a REIT 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.

(In Canadian Dollars)

Pursuant to a 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, have been 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 March 31, 2014 was calculated using the Black Scholes model for option valuation, assuming volatility of 25% on the underlying Units, distribution yield of 11.53%, and the risk free rate ranging from 0.96% to 1.07% (equivalent Government of Canada bond yield) that corresponds to the option life and expected average remaining life of 2.5 years. An average vesting probability of 89% 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, March 31, 2014 and December 31, 2013	-	506,250	$	0.80
Exercisable, end of period		-		

11. 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.

Pursuant to a 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 price 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.

(In Canadian Dollars)

	Number of share warrants	Number of Unit warrants		Weighted average exercise price
Balance, January 15, 2013	-	-	$	-
Granted	400,000	-		0.10
Exchange of share warrants for Unit warrants	(400,000)	50,000		0.80
Balance, March 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 March 31, 2014 was calculated using the Black Scholes model for option valuation, assuming volatility of 25% on the underlying Units, distribution yield of 11.53%, and the risk-free rate of 1.07%.

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

	Number of warrants		Weighted average exercise price
Balance, January 15, 2013	-	$	-
Granted	625,000		3.20
Balance, March 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 March 31, 2014 was calculated using the Black Scholes model for option valuation, assuming volatility of 25% on the underlying Units, distribution yield of 11.53%, and the risk-free rate of 1.07%. The remaining contractual life of the outstanding warrants is 1.5 years.

(In Canadian Dollars)

12. Distributions

The following table breaks down distribution payments for the period ended March 31, 2014:

	REIT Units	Class B LP Units	Total
Paid in cash	$ 80,446	$ 7,087	$ 87,533
Paid by way of reinvestment in REIT Units	17,795	290,460	308,255
Less: payable at December 31, 2013	(31,859)	(99,184)	(131,043)
	66,382	198,363	264,745
Plus: payable at March 31, 2014	34,713	99,181	133,894
Total	$ 101,095	$ 297,544	$ 398,639

The distribution for the month of March 2014 in the amount of $0.02267 per unit, as declared on March 13, 2014, was satisfied on April 15, 2014, by cash of $28,220 and $105,674 through the issuance of 44,031 Units.

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.

13. 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 March 31, 2014, this ratio was 53.4% according to the calculation as defined in the Declaration of Trust.

14. 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 three month ended March 31, 2014, a 100-basis-point change in interest rates would have resulted in a $7,400 change in the REIT`s interest expense.

(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 March 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 $86,060 is primarily input tax credits on HST paid, for which the REIT considers 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	Distributions payable	Class B LP Units	Long-term debt	Total
2014	$ 928,699	$ 133,894	$ -	$ 136,944	$ 1,199,537
2015	-	-	-	182,592	182,592
2016	-	-	-	182,592	182,592
2017	-	-	-	182,592	182,592
2018 and thereafter	-	-	10,325,000	5,310,384	15,635,384
	$ 928,699	$ 133,894	$ 10,325,000	$ 5,995,104	$ 17,382,697

(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 three month period ended March 31, 2014, a $0.10 strengthening in the Euro against the Canadian dollar would have decreased net loss by approximately $38,000 and unrealized foreign currency translation adjustment included in other comprehensive loss by approximately $305,000. 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 fair value of the REIT's investment property has been determined by management (see Note 5). (Level 3)

The fair values of the REIT's mortgages payable at March 31, 2014 are $5,996,000. The fair values have been estimated based on the current market rates for financial instruments with similar terms and conditions. (Level 2)

The REIT's Class B LP Units are carried at fair value and the fair value of the Class B LP Units has been determined with reference to the trading price of the REIT's Units. (Level 2)

The fair value of Unit options and warrant options granted are estimated using a Black Scholes model for option valuation (see notes 10 and 11). (Level 2)

15. Management compensation

For the three months ended March 31, 2014, key management personnel received $51,083 as employment compensation.

16. 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 balance of 2014 is $859,954 and for the period January 1, 2015 to March 31, 2016 is $1,433,257. On April 1, 2016, the base rent is 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 $17,213 for the period from April 1, 2014 to October 31, 2014. Starting November 1, 2014, the head office lease is expected to be renewed.

17. Subsequent events

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.