MAPLEWOOD INTERNATIONAL REIT

Consolidated Financial Statements

(In Canadian Dollars)

For the years ended December 31, 2016

and December 31, 2015

Independent auditor's report

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1

T +1 902 421 1734
F +1 902 420 1068
www.GrantThornton.ca

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 statement of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statement of income and comprehensive income, 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, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(b) to these consolidated financial statements which refers to the intention of management of Maplewood International Real Estate Investment Trust to terminate the REIT following the completion of the sale of REIT's sole investment property. These consolidated financial statements have therefore been prepared using a liquidation basis of accounting.

Grant Thornton LLP

Halifax, Canada
February 21, 2017

Chartered Professional Accountants
Licensed Public Accountants

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

	Notes	December 31, 2016	December 31, 2015
Assets			
Current assets			
Asset held for sale	4	**$ 9,891,000**	$ 10,588,000
Cash and cash equivalents		**161,360**	127,306
Amounts receivable and other assets	5	**12,297**	42,056
		$ 10,064,657	$ 10,757,362
Total assets		**$ 10,064,657**	$ 10,757,362
Liabilities and Unitholders' Equity			
Current Liabilities			
Amounts payable and accrued liabilities	10	**$ 312,170**	$ 373,265
Current portion of long-term debt	6	**5,298,525**	5,641,998
Deferred income tax liabilities	16	**62,000**	-
		$ 5,672,695	$ 6,015,263
Total liabilities		**$ 5,672,695**	$ 6,015,263
Unitholder's equity		**$ 4,391,962**	$ 4,742,099
Total liabilities and unitholders' equity		**$ 10,064,657**	$ 10,757,362

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 and Comprehensive Income
(In Canadian Dollars)

	Notes	**For the year ended December 31, 2016**	For the year ended December 31, 2015
Investment property revenue		**$ 930,366**	$ 1,081,631
Investment property operating expenses		**(67,030)**	(68,793)
Net property income		**863,336**	1,012,838
Finance costs - operations		**(204,814)**	(249,341)
General and administrative expenses	14	**(548,706)**	(349,625)
Asset management fees		**(37,068)**	(37,068)
Unit-based compensation recovery		**-**	127,566
Interest income		**10**	9
Operating income		**72,758**	504,379
Fair value adjustments to investment property	4	**(32,547)**	(438,570)
Fair value adjustments to warrants	11	**-**	24,556
Fair value adjustments to Class B LP Units	7	**-**	1,349,375
Net income before taxes		**40,211**	1,439,740
Deferred income taxes	16	**(62,000)**	-
Net income (loss)		**(21,789)**	1,439,740
Other comprehensive income			
Foreign currency translation adjustments		**(328,348)**	329,225
Comprehensive income (loss)		**$ (350,137)**	$ 1,768,965

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, 2016 and December 31, 2015
(In Canadian Dollars)

	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 income	**-**	**(21,789)**	**(328,348)**	**(350,137)**
Unitholders' equity at December 31, 2016	**$4,439,101**	**$ (53,934)**	**$ 6,795**	**$4,391,962**

	Unit capital	Income	Accumulated other comprehensive income	Total
Unitholders' equity at January 1, 2015	$2,813,476	$ (1,471,885)	$ 5,918	$1,347,509
Class B LP Units exchanged for REIT Units	1,625,625	-	-	1,625,625
Net income and comprehensive income	-	1,439,740	329,225	1,768,965
Unitholders' equity at December 31, 2015	$4,439,101	$ (32,145)	$ 335,143	$4,742,099

See accompanying notes to the consolidated financial statements

(In Canadian Dollars)

	Notes	**For the year ended December 31, 2016**	For the year ended December 31, 2015
Cash flows from operating activities:			
Net income (loss)		**$ (21,789)**	$ 1,439,740
Fair value adjustment to investment property		**32,547**	438,570
Fair value adjustment to warrants		**-**	(24,556)
Fair value adjustment to Class B LP Units		**-**	(1,349,375)
Amortization of financing costs		**-**	45,246
Unit-based compensation recovery		**-**	(127,566)
Change in non-cash working capital items:			
Amounts receivable and other assets		**29,759**	19,664
Amounts payable and accrued liabilities		**(61,095)**	(224,907)
Deferred income tax liabilities		**62,000**	
Cash flow from operating activities		**41,422**	216,816
Cash flows from financing activities:			
Proceeds from long-term debt financing		**206,247**	-
Principal repayment of long-term debt		**(169,553)**	(181,512)
Cash flow from financing activities		**36,694**	(181,512)
Cash flows from financing activities:			
Building improvements		**(31,932)**	-
Cash flow from investing activities		**(31,932)**	-
Increase (decrease) in cash and cash equivalents during the year		**46,184**	35,304
Effects of exchange rate change on cash		**(12,130)**	580
Cash and cash equivalents, beginning of year		**127,306**	91,422
Cash and cash equivalents, end of year		**$ 161,360**	$ 127,306

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 now 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 February 21, 2017.

(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 intends to use the proceeds from the sale of the Property to repay its remaining outstanding liabilities, which includes the mortgages payable balance (see note 6). The REIT intends 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 has determined it is no longer appropriate to present the financial statements on a going concern basis. The REIT's financial statements have been prepared on a liquidation basis. Due to the planned sale of the Property, all assets and liabilities are current in nature and are expected to be settled in less than twelve months.

2. Basis of presentation (continued)

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 unaudited 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	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 liquidation basis. The REIT has considered whether any adjustment to the carrying values of the assets and liabilities were required as a result of the anticipated sale and wind-up of the Partnership (see note 2(b)). Delays or changes in the proposed transaction could cause the carrying value of the REIT's assets and liabilities to differ materially from the carrying amount.

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

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.

3. Significant accounting policies (continued)

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) 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 income or loss financial liabilities and are measured at fair value at each reporting period, based upon the value of a REIT Unit, with any changes in fair value 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.

3. Significant accounting policies (continued)

(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.

(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:

3. Significant accounting policies (continued)

	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
Distribution 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. 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.

3. Significant accounting policies (continued)

(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.

(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.

(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.
The REIT’s provisions are recorded in trade and other payables and relate to accrued severance.

3. Significant accounting policies (continued)

(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 by the Board of Trustees.

(m) 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.

(n) 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).

(b) 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.

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

3. Significant accounting policies (continued)

(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 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

(o) Changes in accounting policies

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

(p) 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.

4. Asset held for sale

The asset held for sale represents the Property following the approval by the Unitholders to sell the Property (see note 2b). In accordance with IFRS 5, the assets were assessed for impairment at the time they were classified as held for sale. The carrying amount was compared with the fair value, less costs to sell and no impairment was recorded.

The reconciliation of the carrying amount of assets held for sale for the year ended December 31, 2016 and the year ended December 31, 2015 is set out below:

Opening balance, January 1, 2015	$	-
Asset transferred to held for sale		10,588,000
Net carrying value, December 31, 2015		10,588.000
Opening balance, 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, December 31, 2016	**$**	**9,891,000**

5. Amounts receivable and other assets

		December 31, 2016		December 31, 2015
Amounts receivable	**$**	**8,296**	$	33,956
Prepaid expenses		**4,001**		8,100
	$	**12,297**	$	42,056

6. Long-term debt

As at December 31, 2016, the REIT had $5,298,525 (€3,750,000) of principal amount of mortgages payable (December 31, 2015, $5,641,998, or €3,730,000). The mortgages carry a weighted average interest rate of 3.61% (December 31, 2015, 3.72%) and a weighted average term to maturity of 1.75 years (December 31, 2015, 2.75 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
2017	$	169,553	$	-	$	169,553
2018		127,165		5,001,807		5,128,972
					$	5,298,525

6. Long-term debt (continued)

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 has 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.

7. 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.

The following table shows the change in the carrying value of the Class B Units outstanding for the year ended December 31, 2016 and the year ended December 31, 2015:

	Class B LP Units		Amount
Outstanding, January 1, 2015	4,250,000	$	2,975,000
Class B LP Units exchanged for REIT Units	(4,250,000)		(1,625,625)
Fair value adjustment	-		(1,349,375)
Outstanding, December 31, 2016 and December 31, 2015	-		-

Upon completion of the Plan of Arrangement on September 9, 2013, the Class B LP Units were recorded at a cost of $0.80. During 2015, all 4,250,000 Class B LP Units that had been outstanding were exchanged for REIT Units and there were no Class B LP Units outstanding as at December 31, 2016 and December 31, 2015.

8. 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

8. Unitholders' capital (continued)

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 Units for the year ended December 31, 2016 and the year ended December 31, 2015:

	Units		Amount
Balance, January 1, 2015	1,730,057	$	2,813,476
Class B LP Units exchanged for REIT Units	4,250,000		1,625,625
Balance, December 31, 2015	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

On February 7, 2013, the Corporation issued 10,000,000 common shares for cash of $500,000 in a seed financing. The 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, warrants to purchase up to 400,000 common shares, at a price of $0.10 per share. The agent's warrants expire 24 months from

8. Unitholders’ capital (continued)

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.

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.

9. 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.

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.

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, the Unit option plan will be terminated by the Trustees, upon the completion of the REIT’s termination. As a result, option liabilities as at December 31, 2015 were written-off.

10. Amounts payable and accrued liabilities

	December 31, 2016	December 31, 2015

Legal fees payable	**$**	**-**	$	214,972
Other amounts payable		**8,370**		7,268
Accrued liabilities		**74,170**		92,639
Accrued severance costs		**190,000**		-
VAT payable		**39,630**		58,386
	$	**312,170**	$	373,265

11. Warrants

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

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.

The agent's warrants expired as of April 5, 2015.

	Number of Units warrants	Weighted average exercise price
Balance, January 1, 2015	50,000	$ 0.80
Warrants expired	(50,000)	
Balance, December 31, 2016 and December 31, 2016	-	

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.

The private placement warrants expired on September 10, 2015.

	Number of Units warrants	Weighted average exercise price
Balance, January 1, 2015	625,000	$ 3.20
Warrants expired	(625,000)	
Balance, December 31, 2016 and December 31, 2016	-	

12. Capital management

The REIT defines its capital as the aggregate of unitholders' equity, Class B LP Units, 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, 2016, this ratio was 52.6% according to the calculation as defined in the Declaration of Trust.

13. 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, 2016, a 100-basis-point change in interest rates would have resulted in a $27,611 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, 2016, 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 $8,296 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

13. Risk management and fair values (continued)

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	Long-term debt	Total
2017	$ 312,170	$ 169,553	$ 481,723
2018 and thereafter		5,128,972	5,128,972
	$ 312,170	$ 5,298,525	$ 5,610,695

(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 2016, a $0.10 strengthening in the Euro against the Canadian dollar would have increased net income by approximately $61,000 and unrealized foreign currency translation adjustment included in other comprehensive loss by approximately $651,000. 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, 2016:

13. Risk management and fair values (continued)

	Level 1	Level 2	Level 3	Total
Financial assets				
Asset held for resale	$ -	$ 9,891,000	$ -	$ 9,891,000
Total financial assets	$ -	$ 9,891,000	$ -	$ 9,891,000
Financial liabilities				
Mortgages payable	$ -	$ 5,298,525		$ 5,298,525
Total financial liabilities	$ -	$ 5,298,525		$ 5,298,525

There were no transfers between Level 1, Level 2 or Level 3 for the period ended December 31, 2016,

14. Management Compensation

Key management personnel have received $211,172 as employment compensation for year ended December 31, 2016 and $210,570 for the year ended December 31, 2015.

In addition, further to the expanded scope of the REIT's value maximization process as described in note 17, severance costs relating to key management personnel have been accrued and expensed in the amount of $190,000 for the year ended December 31, 2016. These amounts have been included in general and administration expenses.

15. 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 $914,853 annually for 2017 to 2026. The rent is inflation indexed annually on January 1, for the first time with effect on January 1, 2017.

16. 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:

16. Income taxes (continued)

		December 31 2016		December 31 2015
Statutory income tax rates in the Netherlands on taxable		25%		25%
Statutory income tax rates applied to accounting income	$	10,053	$	359,935
Taxable (loss) income attributable to unitholders		-		(322,384)
Benefit of tax losses and other		51,947		(37,551)
Provision for income taxes	$	62,000	$	-

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

		December 31 2016		December 31 2015
Deferred tax liabilities related to difference in tax and book basis		25%		25%
of investment property	$	(77,000)	$	(37,551)
Deferred tax assets related to tax loss carryforward		15,000		37,551
Deferred tax assets (liabilities)	$	(62,000)	$	-

17. Subsequent event

On January 11, 2017, the REIT announced that, further to the press release dated September 8, 2015 regarding the initiation of a value maximization process (the “Process”), the Board of Trustees (the “Board”) has expanded the scope of the Process to consider additional strategic alternatives for the REIT including, but not limited to, a merger, reorganization, privatization, reverse takeover, or any other such alternative. Notwithstanding this expanded scope, the Board will continue to consider the sale of the REIT's investment property in the Netherlands and the return of capital to unitholders, as originally contemplated by the Process, and will also consider this in combination with any other strategic alternative under consideration. The Board’s goal for the Process remains to implement a preferred course of action that will achieve the maximum value and liquidity for unitholders.