



Consolidated Financial Statements  
(In Canadian Dollars)

For the three and nine months ended September 30, 2018  
(Unaudited)

**NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the REIT have been prepared by and are the responsibility of the REIT's management. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

|  | Notes | September 30, 2018   | December 31, 2017    |
|--|-------|----------------------|----------------------|
| <b>Assets</b>                                    |       |                      |                      |
| <b>Non-current assets</b>                        |       |                      |                      |
| Investment property                              | 4     | \$ -                 | \$ 11,020,000        |
|  |       | -                    | 11,020,000           |
| <b>Current assets</b>                            |       |                      |                      |
| Cash and cash equivalents                        |       | 405,351              | 195,617              |
| Amounts receivable and other assets              | 6     | 15,557               | 17,650               |
| Asset held for sale                              | 5     | 10,966,000           | -                    |
|  |       | 11,386,908           | 213,267              |
| <b>Total assets</b>                              |       | <b>\$ 11,386,908</b> | <b>\$ 11,233,267</b> |
| <b>Liabilities and Unitholders' Equity</b>       |       |                      |                      |
| <b>Non-current liabilities</b>                   |       |                      |                      |
| Deferred income tax liabilities                  | 15    | \$ 208,000           | \$ 208,000           |
|  |       | 208,000              | 208,000              |
| <b>Current Liabilities</b>                       |       |                      |                      |
| Amounts payable and accrued liabilities          | 10    | 81,609               | 91,039               |
| Current portion of long-term debt                | 7     | 5,303,710            | 5,457,306            |
|  |       | 5,385,319            | 5,548,345            |
| <b>Total liabilities</b>                         |       | <b>\$ 5,593,319</b>  | <b>\$ 5,756,345</b>  |
| <b>Unitholder's equity</b>                       |       | <b>\$ 5,793,589</b>  | <b>\$ 5,476,922</b>  |
| <b>Total liabilities and unitholders' equity</b> |       | <b>\$ 11,386,908</b> | <b>\$ 11,233,267</b> |

Basis of presentation (see note 2(b))

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 (unaudited)  
(In Canadian Dollars)

|  | Notes | For the three<br>months ended<br>September 30,<br>2018 | For the three<br>months ended<br>September 30,<br>2017 | For the nine<br>months ended<br>September 30,<br>2018 | For the nine<br>months ended<br>September 30,<br>2017 |
|--|-------|--|--|---|---|
| Investment property revenue                      |       | \$ 244,147   | \$ 233,886   | \$ 741,171  | \$ 692,688  |
| Investment property operating expenses           |       | (16,936)   | (20,033)   | (51,414)  | (53,953)  |
| <b>Net property income</b>                       |       | <b>227,211</b>   | 213,853  | <b>689,757</b>  | 638,735   |
| <b>Net property income</b>                       |       |  |  |   |   |
| Finance costs - operations                       |       | (48,796)   | (48,847)   | (149,088)   | (145,918)   |
| General and administrative expenses              | 13    | (45,996)   | (37,437)   | (144,324)   | (182,477)   |
| Asset management fees                            |       | -  | -  | -   | (6,178)   |
| <b>Operating income</b>                          |       | <b>132,419</b>   | 127,569  | <b>396,345</b>  | 304,162   |
| Fair value adjustments to investment<br>property |       | -  | -  | (38,843)  | -   |
| <b>Net income (loss)</b>                         |       | <b>132,419</b>   | 127,569  | <b>357,502</b>  | 304,162   |
| <b>Other comprehensive income (loss)</b>         |       |  |  |   |   |
| Foreign currency translation adjustments         |       | (149,046)  | (36,505)   | (40,835)  | 192,109   |
| <b>Comprehensive income (loss)</b>               |       | <b>\$ (16,627)</b>                                     | \$ 91,064  | <b>\$ 316,667</b>                                     | \$ 496,271  |

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

|   | Unit capital | Income       | Accumulated other<br>comprehensive<br>income | Total        |
|---|--------------|--------------|--|--------------|
| Unitholders' equity at January 1, 2018    | \$ 4,439,101 | \$ 729,279   | \$ 308,542                                   | \$ 5,476,922 |
| Net income and comprehensive income       | -            | 357,502      | (40,835)                                     | 316,667      |
| Unitholders' equity at September 30, 2018 | \$ 4,439,101 | \$ 1,086,781 | \$ 267,707                                   | \$ 5,793,589 |

|   | Unit capital | Income      | Accumulated other<br>comprehensive<br>income | Total        |
|---|--------------|-------------|--|--------------|
| Unitholders' equity at January 1, 2017    | \$ 4,439,101 | \$ (53,934) | \$ 6,795                                     | \$ 4,391,962 |
| Net income and comprehensive loss         | -            | 304,162     | 192,109                                      | 496,271      |
| Unitholders' equity at September 30, 2017 | \$ 4,439,101 | \$ 250,228  | \$ 198,904                                   | \$ 4,888,233 |

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

|   | Notes | For the three<br>months ended<br>September 30,<br>2018 | For the three<br>months ended<br>September 30,<br>2017 | For the nine<br>months ended<br>September 30,<br>2018 | For the nine<br>months ended<br>September 30,<br>2017 |
|---|-------|--|--|---|---|
| <b>Cash flows from operating activities:</b>                        |       |  |  |   |   |
| Net income (loss)   |       | \$ 132,419   | \$ 127,569   | \$ 357,502  | \$ 304,162  |
| Fair value adjustments to investment<br>property                    |       | -  | -  | 38,843  | -   |
| Change in non-cash working capital items:                           |       |  |  |   |   |
| Amounts receivable and other assets                                 |       | 18,605   | 14,183   | 2,093   | (2,536)   |
| Amounts payable and accrued liabilities                             |       | (1,718)  | (6,504)  | (9,430)   | (53,178)  |
| <b>Cash flow from operating activities</b>                          |       | <b>149,306</b>   | 135,248  | <b>389,008</b>  | 248,448   |
| <b>Cash flows from financing activities:</b>                        |       |  |  |   |   |
| Principal repayment of long-term debt                               |       | (35,167)   | (43,554)   | (127,169)   | (132,526)   |
| <b>Cash flow from financing activities</b>                          |       | <b>(35,167)</b>  | (43,554)   | <b>(127,169)</b>                                      | (132,526)   |
| <b>Cash flows from investing activities:</b>                        |       |  |  |   |   |
| Building improvements   |       | -  | -  | (39,711)  | -   |
| <b>Cash flow from investing activities</b>                          |       | <b>-</b>   | -  | <b>(39,711)</b>                                       | -   |
| Increase (decrease) in cash and cash<br>equivalents during the year |       | 114,139  | 91,694   | 222,128   | 115,922   |
| Effects of exchange rate change on cash                             |       | (10,337)   | (2,354)  | (12,394)  | (504)   |
| Cash and cash equivalents, beginning of                             |       | 301,549  | 187,438  | 195,617   | 161,360   |
| Cash and cash equivalents, end of period                            |       | \$ 405,351   | \$ 276,778   | \$ 405,351  | \$ 276,778  |

## **1. Nature of operations**

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

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

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

## **2. Basis of presentation**

### **(a) Statement of compliance**

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements prepared under International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the REIT's annual consolidated financial statements as at and for the year ended December 31, 2017. These unaudited condensed consolidated interim financial statements have not been reviewed by an independent accounting firm.

These unaudited condensed consolidated interim financial statements were authorized for issue by the REIT's Board of Trustees on November 22, 2018.

Maplewood International Real Estate Investment Trust  
Notes to Consolidated Financial Statements  
Three and nine months ended September 30, 2018 and year ended December 31, 2017

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(b) Basis of presentation

On August 13, 2018, the REIT's unitholders approved the sale of the REIT's sole investment property in the Netherlands (the "Property") and the special distribution to unitholders of the net cash proceeds from the sale of the Property, all as more particularly described in the REIT's management information circular dated July 16, 2018. As a result of the unitholders' approval of the sale of the Property, the Property has been classified as asset held for sale (see note 5).

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

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

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

(c) Basis of measurement

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

**3. Significant accounting policies**

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, 2017 and December 31, 2016.

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**4. Investment property**

The reconciliation of the carrying amount of investment property for the nine months ended September 30, 2018 and for the year ended December 31, 2017 is set out below:

|   |           |                   |
|---|-----------|-------------------|
| Opening balance, investment property, January 1, 2017 | \$        | 9,891,000         |
| Additions to investment property:                     |           |                   |
| Building improvements                                 |           | 138,913           |
| Fair value adjustment                                 |           | 355,402           |
| Foreign currency translation                          |           | 634,685           |
| Balance, investment property, December 31, 2017       | <b>\$</b> | <b>11,020,000</b> |
| Additions to investment property:                     |           |                   |
| Building improvements                                 |           | 39,711            |
| Fair value adjustment                                 |           | (38,843)          |
| Foreign currency translation                          |           | (54,868)          |
| Classification to asset held for sale (see note 5)    |           | (10,966,000)      |
| Balance, investment property, September 30, 2018      | <b>\$</b> | <b>-</b>          |

**5. Asset held for sale**

The asset held for sale represents the investment property that has been classified as held for sale as a result of the unitholders' approval of the sale of the Property (see note 2(b)). In accordance with IFRS 5, the asset was assessed for impairment at the time it was classified as held for sale. The carrying amount was compared with the fair value less costs to sell and no impairment was recorded.

**6. Amounts receivable and other assets**

|                    | September 30, 2018 | December 31, 2017 |
|--------------------|--------------------|-------------------|
| Amounts receivable | \$ 836             | \$ 1,450          |
| Prepaid expenses   | 14,721             | 16,200            |
|                    | <b>\$ 15,557</b>   | <b>\$ 17,650</b>  |

**7. Long-term debt**

As at September 30, 2018, the REIT had \$5,303,710 (€3,545,000) of principal amount of mortgages payable (December 31, 2017, \$5,457,306, or €3,630,000). The mortgages carry a weighted average interest rate of 3.61% (December 31, 2017, 3.60%).

The mortgages matured on September 12, 2018 and have been renewed on a month-to-month basis under the existing terms, pending the completion of a long-term renewal under new terms that is currently being negotiated.



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The mortgages are secured by a first charge on Property and are repayable as follows:

|      | Scheduled<br>principal<br>payments | Debt maturing<br>during the year | Total<br>mortgages<br>payable |
|------|------------------------------------|----------------------------------|-------------------------------|
| 2018 | \$ -                               | \$ 5,303,710                     | \$ 5,303,710                  |
|      |                                    |                                  | \$ 5,303,710                  |

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

## 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 formula and outlined in the DOT. The Redemption Price will be paid in accordance with the conditions provided for in the DOT.

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

### (b) Special voting units

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

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(c) Units outstanding

As at September 30, 2018, the REIT had 5,980,037 Units outstanding (December 31, 2017, 5,980,037).

|                             | Units     | Amount       |
|-----------------------------|-----------|--------------|
| Balance, September 30, 2018 | 5,980,037 | \$ 4,439,101 |

**9. Unit options**

The REIT has adopted a Unit based compensation plan (the "Plan"). Under the terms of the Plan, the REIT's Board of Trustees 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 unit options 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.

As at September 30, 2018, the REIT has nil unit options outstanding (December 31, 2017, 476,250).

**10. Amounts payable and accrued liabilities**

|                     | September 30, 2018 | December 31, 2017 |
|---------------------|--------------------|-------------------|
| Amounts payable     | \$ -               | \$ 494            |
| Accrued liabilities | 32,229             | 70,643            |
| VAT payable         | 49,380             | 19,902            |
|                     | <b>\$ 81,609</b>   | <b>\$ 91,039</b>  |

**11. Capital management**

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

The REIT's Declaration of Trust provides that total indebtedness of the REIT may not exceed 65% of the Gross Book Value as defined; as at September 30, 2018, this ratio was 46.6% according to the calculation as defined in the Declaration of Trust (December 31, 2017, 48.6%).

**12. 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,

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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 nine months ended September 30, 2018, a 100-basis-point change in interest rates would have resulted in a \$20,793 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 September 30, 2018, 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 \$836 are primarily input tax credits on HST paid, for which management consider the collection risk to be minimal.

(iii) Liquidity risk

Liquidity risk is the risk that the REIT will not have the financial resources required to meet its financial obligations as they become due. The REIT manages this risk by ensuring it has sufficient cash and cash equivalents on hand to meet obligations as they become due by forecasting cash flows from operations, cash required for investing activities and cash from financing activities. There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT. Management's strategy mitigates the REIT's exposure to excessive amounts of debt maturing in any one year.

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

|      | Amounts payable<br>and accrued liabilities | Long-term debt | Total        |
|------|--|----------------|--------------|
| 2018 | \$ 81,609                                  | \$ 5,303,710   | \$ 5,385,319 |

(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 nine months ended September 30, 2018, a \$0.10 strengthening in the Euro against the Canadian dollar would have increased net income by approximately \$47,000 and unrealized foreign currency translation adjustment included in other comprehensive loss by approximately \$836,000. Conversely, a \$0.10 weakening in the Euro against the Canadian dollar would have had an equal but opposite effect.

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(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 March 31, 2018:

|                             | Level 1 | Level 2       | Level 3 | Total         |
|-----------------------------|---------|---------------|---------|---------------|
| Financial assets            |         |               |         |               |
| Investment property         | \$ -    | \$ 10,966,000 | \$ -    | \$ 10,966,000 |
| Total financial assets      | \$ -    | \$ 10,966,000 | \$ -    | \$ 10,966,000 |
| Financial liabilities       |         |               |         |               |
| Mortgages payable           | \$ -    | \$ 5,303,710  | \$ -    | \$ 5,303,710  |
| Total financial liabilities | \$ -    | \$ 5,303,710  | \$ -    | \$ 5,303,710  |

There were no transfers between Level 1, Level 2 or Level 3 for the nine months ended September 30, 2018.

**13. Management compensation**

Key management personnel have received \$31,100 as employment compensation for the three months ended September 30, 2018 and \$25,481 for the three months ended September 30, 2017; \$81,370 for the nine months ended September 30, 2018 and \$133,101 for the nine months ended September 30, 2017.

**14. 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 \$474,564 for the remainder of 2018 and \$989,129 annually for 2019 to 2026. The rent is inflation indexed annually on January 1.

**15. 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:

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|   | September 30<br>2018 | September 30<br>2017 |
|---|----------------------|----------------------|
| Statutory income tax rates in the Netherlands on taxable income | 25%                  | 25%                  |
| Statutory income tax rates applied to accounting income         | \$ 56,271            | \$ 76,040            |
| Taxable (loss) income attributable to unitholders and other     | (56,271)             | (76,040)             |
| Provision for income taxes                                      | \$ -                 | \$ -                 |

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

|   | September 30<br>2018 | December 31<br>2017 |
|---|----------------------|---------------------|
| Deferred tax liabilities related to difference in tax and book basis of investment property | \$ (230,000)         | \$ (230,000)        |
| Deferred tax assets related to tax loss carry forward                                       | 22,000               | 22,000              |
| Deferred tax assets (liabilities)   | \$ (208,000)         | \$ (208,000)        |

**16. Subsequent event**

On October 5, 2018, Kimberly Tam resigned as the REIT's Chief Financial Officer. On that same date, the REIT's Board of Trustees appointed Sean Nakamoto, a Trustee since the REIT's inception in 2013, as the Interim Chief Financial Officer.