MAPLEWOOD
INTERNATIONAL REIT

Consolidated Financial Statements
(In Canadian Dollars)

For the year ended December 31, 2018
and December 31, 2017

Independent auditor's report

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To the Unitholders of
Maplewood International Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Maplewood International Real Estate Investment Trust ("the REIT"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), 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.

In preparing the consolidated financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Tom Brockway CPA, CA.

Grant Thornton LLP

Halifax, Canada	Chartered Professional Accountants
April 17, 2019	Licensed Public Accountants

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

	Notes	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Investment property	4	**$ 11,714,000**	$ 11,020,000
		11,714,000	11,020,000
Current assets			
Cash and cash equivalents		**490,799**	195,617
Amounts receivable and other assets	5	**17,233**	17,650
		508,032	213,267
Total assets		**$ 12,222,032**	$ 11,233,267
Liabilities and Unitholders' Equity			
Non-current liabilities			
Long-term debt	6	**$5,178,536**	$ -
Deferred income tax liabilities	15	**306,000**	208,000
		5,484,536	208,000
Current Liabilities			
Amounts payable and accrued liabilities	9	**217,377**	91,039
Distribution payable	10	**179,401**	-
Current portion of long-term debt	6	**296,362**	5,457,306
		693,140	5,548,345
Total liabilities		**$ 6,177,676**	$ 5,756,345
Unitholder's equity		**$ 6,044,356**	$ 5,476,922
Total liabilities and unitholders' equity		**$ 12,222,032**	$ 11,233,267

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, 2018	For the year ended December 31, 2017
Investment property revenue		**$ 983,535**	$ 930,242
Investment property operating expenses		**(68,228)**	(71,804)
Net property income		**915,307**	858,438
Finance costs - operations		**(205,067)**	(195,326)
General and administrative expenses		**(304,548)**	(83,123)
Asset management fees		**-**	(6,178)
Operating income		**405,692**	573,811
Fair value adjustments to investment property	4	**218,482**	355,402
Net income before taxes		**624,174**	929,213
Deferred income tax expense	15	**(98,000)**	(146,000)
Net income		**526,174**	783,213
Other comprehensive income			
Foreign currency translation adjustments		**220,661**	301,747
Comprehensive income		**$ 746,835**	$ 1,084,960

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, 2018 and December 31, 2017
(In Canadian Dollars)

	Unit capital	**Income**	**Accumulated other comprehensive income**	**Total**
Unitholders' equity at January 1, 2018	**$ 4,439,101**	**$ 729,279**	**$ 308,542**	**$ 5,476,922**
Distribution payable	**-**	**(179,401)**	**-**	**(179,401)**
Net income and comprehensive income	**-**	**526,174**	**220,661**	**746,835**
Unitholders' equity at December 31, 2018	**$ 4,439,101**	**$ 1,076,052**	**$ 529,203**	**$ 6,044,356**

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

See accompanying notes to the consolidated financial statements

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

	Notes	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Cash flows from operating activities:			
Net income		**$ 526,174**	$ 783,213
Fair value adjustments to investment property		**(218,482)**	(355,402)
Deferred income tax liabilities		**98,000**	146,000
Change in non-cash working capital items:			
Amounts receivable and other assets		**417**	(5,353)
Amounts payable and accrued liabilities		**126,338**	(221,131)
Cash flow from operating activities		**532,447**	347,327
Cash flows from financing activities:			
Principal repayments of long-term debt		**(187,176)**	(180,407)
Cash flow from financing activities		**(187,176)**	(180,407)
Cash flows from investing activities:			
Building improvements		**(53,459)**	(138,913)
Cash flow from investing activities		**(53,459)**	(138,913)
Increase in cash and cash equivalents during the year		**291,812**	28,007
Effects of exchange rate change on cash		**3,370**	6,250
Cash and cash equivalents, beginning of year		**195,617**	161,360
Cash and cash equivalents, end of year		**$ 490,799**	$ 195,617

See accompanying notes to the consolidated financial statements

1. Nature of operations

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

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

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

2. Basis of presentation

(a) Statement of compliance

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

These consolidated financial statements were authorized for issue by the REIT's Board of Trustees on April 17, 2019.

(b) Basis of presentation

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 on a historical cost basis except for any financial assets and liabilities classified as held for sale, which are measured at fair value.

3. Significant accounting policies

(a) Cash and cash equivalents

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

(b) Investment properties

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

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

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

(c) Revenue recognition

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

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

(d) REIT Units

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

(e) Income taxes

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

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

Adjustments to these balances are recognized in income as they occur.

(f) Financial instruments

Financial assets and liabilities are recognized when the REIT becomes a party to the contractual provision of the financial instrument. Classification and Measurement Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL.

The following summarizes the REIT's classification and measurement of financial assets and financial liabilities upon the adoption of IFRS 9 “Financial instruments”. Previously the REIT’s financial assets were classified as loans and receivables and measured at amortized cost, while the REIT’s financial liabilities were classified as other financial liabilities and measured at amortized cost under IAS 39 “Financial Instruments: Recognition and Measurement”.

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

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

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

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

(g) Unit options

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

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the

REIT's operating subsidiary is Euros. The consolidated financial statements are presented in Canadian dollars, which is the group's presentation and functional currency.

(ii) Transactions and balances

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

(iii) Subsidiary

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) all resulting exchange differences are recognized in other comprehensive income.

(i) Provisions

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

(j) Distributions

The REIT makes distributions on its Units in accordance with the Declaration of Trust, at the discretion of the Trustees. Distributions on REIT Units are recorded as a reduction to equity and are presented as a liability in the period in which the distributions are declared.

(k) Assets held for sale

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

(l) Critical Accounting Judgement, Estimates and Assumptions

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

(i) Critical judgements

(a) Income taxes

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

(ii) Estimates and assumptions

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

(a) Investment properties

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

(b) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding market price of Units, future interest rates, the relative creditworthiness of the

REIT to its counterparties, the credit risk of the REIT's counterparties relative to the REIT, the estimated future cash flows and discount rates. Critical estimates relating to the fair value of the Unit options include the life of the Unit options, and the market price, volatility and distribution yield of Units.

(m) Changes in accounting policies

On January 1, 2018, the REIT implemented IFRS 15, “Revenue from contracts with customers” (“IFRS 15”) and IFRS 9, “Financial Instruments” (“IFRS 9”), in accordance with IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”. The impacts from implementation of IFRS 15 and IFRS 9 are described below.

IFRS 15 Revenue from Contracts with Customers

In 2014, the IASB issued IFRS 15 replacing IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. The REIT adopted IFRS 15 on January 1, 2018. The implementation of IFRS 15 did not have any impact on the REIT’s consolidated financial statements.

IFRS 9 Financial instruments

In 2014, the IASB issued IFRS 9, replacing IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”), and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

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 REIT adopted IFRS 9 on January 1, 2018. The implementation of IFRS 9 did not have any impact on the REIT’s consolidated financial statements.

(n) Future changes in accounting standards

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, “Leases” (“IFRS 16”), replacing IAS 17, “Leases” and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. For leases where the REIT is the lessee, the option exists of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16. The REIT intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The REIT is currently evaluating the impact of the standard on the consolidated financial statements. Based on its assessment to date, the REIT does not believe it will have any impact on its consolidated financial statements.

4. Investment property

The reconciliation of the carrying amount of investment property for the year ended December 31, 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 adjustments		355,402
Foreign currency translation adjustments		634,685
Balance, investment property, December 31, 2017	$	11,020,000
Additions to investment property:		
Building improvements		53,459
Fair value adjustments		218,482
Foreign currency translation adjustments		422,059
Balance, investment property, December 31, 2018	$	11,714,000

5. Amounts receivable and other assets

		December 31, 2018		December 31, 2017
Amounts receivable	**$**	**1,033**	$	1,450
Prepaid expenses		**16,200**		16,200
	$	**17,233**	$	17,650

6. Long-term debt

As at December 31, 2018, the REIT had $5,474,898 (€3,510,000) 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 were renewed on a month-to-month basis under the existing terms until December 31, 2018. On January 1, 2019, the REIT renewed the mortgages on the Property in the aggregate principal amount of €3,500,000 for concurrent terms of 5 years, both with a maturity date of December 31, 2023. One mortgage in the principal amount of €1,750,000 bears a floating interest rate of 3-month Euribor plus a spread of 4.13% and the other mortgage in the principal amount of €1,750,000 bears a fixed interest rate of 4.75%. Both mortgages have a principal amortization term of approximately 20 years.

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

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2019	$ 296,362	$ -	$ 296,362
2020	280,764	-	280,764
2021	280,764	-	280,764
2022	280,764	-	280,764
2023	280,764	$ 4,055,480	$ 4,336,244
			$ 5,474,898

7. Unitholders' capital

(a) Units

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

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

(b) Special voting units

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

(c) Units outstanding

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

	Units	Amount
Balance, December 31, 2018	5,980,037	$ 4,439,101

8. 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 December 31, 2018, the REIT has nil unit options outstanding (December 31, 2017, 476,250).

9. Amounts payable and accrued liabilities

	December 31, 2018	December 31, 2017
Amounts payable	**$ -**	$ 494
Accrued liabilities	**174,368**	70,643
VAT payable	**43,009**	19,902
	$ 217,377	$ 91,039

10. Special distribution

On December 20, 2018, the REIT's Board of Trustees declared a special cash distribution of $0.03 per unit to unitholders of record on December 31, 2018, which was paid on January 15, 2019.

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 December 31, 2018, this ratio was 44.8% 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, 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 twelve months ended December 31, 2018, a 100-basis-point change in interest rates would have resulted in a $29,057 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, 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 $1,033 are primarily input tax credits on HST paid, for which management consider the collection risk to be minimal.

(iii) Liquidity risk

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

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

	Amounts payable and accrued liabilities	Long-term debt	Total
2018	$ 217,377	$ 5,474,898	$ 5,692,275

(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 twelve months ended December, 2018, a $0.10 strengthening in the Euro against the Canadian dollar would have increased net income by approximately $79,000 and unrealized foreign currency translation adjustment included in other comprehensive loss by approximately $905,000. 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, 2018:

	Level 1	Level 2	Level 3	Total
Financial assets				
Investment property	$ -	$ 11,714,000	$ -	$ 11,714,000
Total financial assets	$ -	$ 11,714,000	$ -	$ 11,714,000
Financial liabilities				
Mortgages payable	$ -	$ 5,474,989	$ -	$ 5,474,989
Total financial liabilities	$ -	$ 5,474,989	$ -	$ 5,474,989

There were no transfers between Level 1, Level 2 or Level 3 for the twelve months ended December 31, 2018.

13. Management compensation

Key management personnel received $82,025 as employment compensation for the year ended December, 2018 and $157,723 for the year ended December 31, 2017.

On December 31, 2018, Kursat Kacira terminated his employment agreement as the REIT’s Chief Executive Officer (“CEO”) and entered into a consulting agreement with the REIT to provide his continued services as CEO. This consulting agreement includes the following compensation to Mr. Kacira for the services provided: (1) a monthly consulting fee of $6,250 and (2) the following transactions fees: (i) acquisition fees of 0.50% of the gross purchase price of any real estate properties acquired by the REIT in a particular year, (ii) disposition fees of 0.50% of the gross sale price of any real estate properties disposed of by the REIT in a particular year, and (iii) financing fees of 0.50% of the gross proceeds of any debt or equity financings completed by the REIT in a particular year, except that with respect to the mortgage renewal in the principal amount of €3,500,000 that was completed by the REIT (see note 6), the financing fee was €50,000.

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 $987,874 annually for 2019 to 2026. The rent is inflation indexed annually on January 1st.

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:

		December 31 2018		December 31 2017
Statutory income tax rates on taxable		25%		25%
Statutory income tax rates applied to accounting income	$	156,044	$	232,303
Taxable loss attributable to unitholders and other		(58,044)		(86,303)
Provision for income taxes	$	98,000	$	146,000

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

		December 31 2018		December 31 2017
Deferred tax liabilities related to difference in tax and book basis of investment property	$	(306,000)	$	(230,000)
Deferred tax assets related to tax loss carry forward		-		22,000
Deferred tax liabilities	$	(306,000)	$	(208,000)

16. Subsequent events

On January 1, 2019, the REIT renewed the mortgages on the Property in the aggregate principal amount of €3,500,000 for concurrent terms of 5 years, both with a maturity date of December 31, 2023. One mortgage in the principal amount of €1,750,000 bears a floating interest rate of 3-month Euribor plus a spread of 4.13% and the other mortgage in the principal amount of €1,750,000 bears a fixed interest rate of 4.75%. Both mortgages have a principal amortization term of approximately 20 years.

On January 15, 2019, the REIT paid a special cash distribution of $0.03 per unit to unitholders of record on December 31, 2018, as declared by the REIT's Board of Trustees on December 20, 2018.