Consolidated Financial Statements of

FIRM CAPITAL PROPERTY TRUST

For the Years Ended December 31, 2014 and 2013

March 25, 2015

Independent Auditor's Report

To the Unitholders of
Firm Capital Property Trust

We have audited the accompanying consolidated financial statements of Firm Capital Property Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated 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.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Firm Capital Property Trust and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

FIRM CAPITAL PROPERTY TRUST

Consolidated Balance Sheets

	Notes	December 31, 2014	December 31, 2013
Assets			
Non-Current Assets:			
Investment Properties	4	$ 91,187,752	$ 60,389,111
Current Assets:			
Accounts Receivable		522,653	241,928
Prepaid Expenses, Deposits & Other Assets		252,057	150,524
Marketable Securities		212,772	239,354
Restricted Cash		84,005	-
Cash		2,445,297	432,560
Total Current Assets		3,516,784	1,064,366
Total Assets		$ 94,704,536	$ 61,453,477
Liabilities & Unitholders' Equity			
Current Liabilities:			
Distribution Payable		$ 296,185	$ 173,713
Accounts Payable & Accrued Liabilities	5	1,529,899	911,778
Bank Indebtedness	6	-	2,510,472
Mortgages	7	3,584,731	712,597
Total Current Liabilities		5,410,815	4,308,560
Non-Current Liabilities			
Tenant Rental Deposits		610,731	368,341
Mortgages	7	40,501,566	27,215,874
Total Non-Current Liabilities		41,112,297	27,584,215
Total Liabilities		46,523,112	31,892,775
Unitholders' Equity		48,181,424	29,560,702
Total Liabilities and Unitholders' Equity		$ 94,704,536	$ 61,453,477
Commitments & Contingencies	16		
Subsequent Events	19		

See accompanying Notes to Consolidated Financial Statements.

Approved by the Board of Trustees

(signed) "*Robert McKee*" (signed) "*Sandy Poklar*"

Robert McKee Sandy Poklar

CEO & Trustee CFO & Trustee

FIRM CAPITAL PROPERTY TRUST

Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2014 and December 31, 2013

	Notes	December 31, 2014	December 31, 2013
Net Operating Income			
Rental Revenue	9	$ 9,762,540	$ 5,514,133
Property Operating	12	(3,831,048)	(2,054,391)
		$ 5,931,492	$ 3,459,742
Other Income			
Interest & Dividend Income		14,851	12,417
Other Income		4,929	-
Income & Gain on Sale of ISG Capital Corporation	10	-	116,140
		$ 19,780	$ 128,557
Expenses:			
Finance Costs	11	1,478,171	778,159
General & Administrative	12	902,882	623,437
Unit-Based Compensation Expense	8(f)	89,999	99,162
		$ 2,471,052	$ 1,500,758
Income Before Fair Value Adjustments		3,480,220	2,087,541
Fair Value Adjustments:			
Investment Properties	4	1,285,551	1,683,555
Marketable Securities		(40,129)	50,919
Net Income & Comprehensive Income		$ 4,725,642	$ 3,822,015

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statements of Changes in Unitholders' Equity
For the Years Ended December 31, 2014 and December 31, 2013

	Notes	Trust Units (Note 8)	Retained Earnings	Unitholders' Equity
Unitholder's Equity, December 31, 2012		$ 21,001,540	$ 160,403	$ 21,161,943
Issuance of Units, Net of Issuance Costs	8(c)	6,265,333	-	6,265,333
Issuance of Units from Distribution Reinvestment Plan	8(g)	45,150	-	45,150
Net Income & Comprehensive Income		-	3,822,015	3,822,015
Distributions	8(h)	-	(1,733,739)	(1,733,739)
Unitholders' Equity, December 31, 2013		$ 27,312,023	$ 2,248,679	$ 29,560,702
Issuance of Units, Net of Issuance Costs	8(d)	6,976,333	-	6,976,333
Issuance of Units, Net of Issuance Costs	8(e)	9,626,726	-	9,626,726
Issuance of Units from Distribution Reinvestment Plan	8(g)	54,464	-	54,464
Issuance of Units from Unit Purchase Plan	8(g)	1,000	-	1,000
Net Income & Comprehensive Income		-	4,725,642	4,725,642
Distributions	8(h)	-	(2,763,443)	(2,763,443)
Unitholders' Equity, December 31, 2014		$ 43,970,546	$ 4,210,878	$ 48,181,424

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2014 and December 31, 2013

	Notes	December 31, 2014	December 31, 2013
Cash Flows from (used in) Operating Activities			
Net Income		$ 4,725,642	$ 3,822,015
Fair Value Adjustments:			
Investment Properties	4	(1,285,551)	(1,683,555)
Marketable Securities		40,129	(50,919)
Unit-Based Compensation Expense	8(f)	89,999	99,162
Finance Costs, Net of Other Income		1,458,391	734,954
Finance Fee Amortization	11	73,315	54,190
Non-Cash Interest Expense	11	(29,676)	(13,866)
Straight Line Rent Adjustment		(120,352)	(55,958)
Free Rent, Net of Amortization		(58,394)	-
Gain on Sale of ISG Capital Corporation	10	-	(50,000)
Gain on Sale of Marketable Securities		(4,012)	-
Change in Non-Cash Operating Working Capital:			
Accounts Receivable		(96,289)	(14,517)
Prepaid Expenses		(36,275)	215,572
Restricted Cash		(42,000)	-
Accounts Payable and Accrued Liabilities		(9,572)	316,383
Tenant Rental Deposits		43,177	(1,229)
Interest Accrual		101,292	(49,911)
Deposits		(6,865)	(3,924)
		$ 4,842,959	$ 3,318,397
Cash Flows from (used in) Financing Activities			
Issuance of Units, Net of Issuance Costs	8	16,603,059	6,265,333
Repayment of Bank Indebtedness	6	(2,525,569)	(3,066,184)
Mortgages, Advances	7	4,305,000	24,926,250
Mortgages, Repayments	7	(1,117,943)	(492,517)
Cash Interest Paid, Net of Other Income		(1,559,684)	(685,043)
Cash Distributions Paid		(2,585,499)	(1,642,462)
		$ 13,119,364	$ 25,305,377
Cash Flows from (used in) Investing Activities			
Acquisition of Investment Properties			
and Capital Expenditures, Incl. Closing Costs	3,4	(15,940,051)	(28,002,779)
Marketable Securities		(9,535)	(188,435)
		$ (15,949,586)	$ (28,191,214)
Increase / (Decrease) in Cash		2,012,737	432,560
Cash, Beginning of Year		432,560	-
Cash, End of Year		$ 2,445,297	$ 432,560

See accompanying Notes to Consolidated Financial Statements.

1. The Trust

Firm Capital Property Trust (the ''Trust'' or the "REIT") is an unincorporated open-ended real estate investment trust established on August 30, 2012 under the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated November 20, 2012. The Trust is a "mutual fund trust" as defined in the Income Tax Act (Canada), but is not a "mutual fund" within the meaning of applicable Canadian securities legislation. The head office and registered office of the Trust is located at 163 Cartwright Avenue Toronto, Ontario M6A 1V5. These consolidated financial statements were approved by the Board of Trustees on March 25, 2015.

The Trust owns 100% of the outstanding Class A Limited Partnership Units of Firm Capital Property Limited Partnership ("FCPLP"), a limited partnership created under the laws of the Province of Ontario. FCPLP ultimately owns the investment properties through various subsidiaries. The Trust is the reporting issuer trading on the TSX Venture Exchange under the ticker symbol FCD.UN.

2. Summary of Significant Accounting Policies

(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'').

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting periods as the Trust, using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

(c) Basis of Presentation, Measurement and Significant Accounting Policies

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars, which is the Trust's functional currency. The consolidated financial statements are prepared on the historical cost basis with the exception of investment properties, marketable securities, cash and the liabilities related to unit based compensation expense, which are measured at fair value. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated. Standards issued but not yet effective for the current accounting period are described in note 2(p).

(d) Co-Ownership Arrangement

The Trust currently is a co-owner in three joint arrangements, a 50% interest in the Montreal Industrial Portfolio, a 70% interest in the Centre Ice Retail Portfolio and a 50% interest in the Ottawa Apartment Complex (all further outlined in Notes 3 and 4). These arrangements are classified as joint operations because the parties involved have joint control of the assets and joint responsibility of the liabilities relating to the arrangement. As a result, the Trust includes its pro-rata share of its assets, liabilities, revenues, expenses and cash flows in these consolidated financial statements. Management believes that the assets of these joint arrangements are sufficient for the purpose of satisfying the associated obligations.

(e) Segmented Information

The Trust owns, manages and operates several investment properties located in Canada. In measuring performance, the Trust's senior management does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

(f) Investment Properties
The Trust uses the fair value method to account for real estate classified as investment property. The Trust's investment properties are principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

The Trust determines the fair value of the investment properties based upon a combination of the discounted cash flow method and the overall capitalization methods, which are generally accepted appraisal methodologies. Under the discounted cash flow method, expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables. Under the overall capitalization method, year one net operating income is stabilized, incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures and is capped at a rate deemed appropriate for each investment property.

Subsequent capital expenditures are charged to the investment property only when it is probable that the future economic benefits of the expenditure will flow to the Trust and the cost can be measured reliably.

(g) Financial Instruments
Initially, all financial assets and liabilities are recorded on the consolidated balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. All financial assets are classified as one of: (a) at fair value through profit or loss ("FVTPL"); (b) held-to-maturity; (c) loans and receivables; or (d) available-for-sale. Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. All financial liabilities are classified as either: (a) FVTPL; or (b) other liabilities.

Financial assets and liabilities classified as FVTPL are measured at fair value, with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income.

The following summarizes the Trust's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial Assets		
Accounts Receivable	Loans & Receivables	Amortized Cost
Deposits & Other Assets	Loans & Receivables	Amortized Cost
Marketable Securities	FVTPL	Fair Value
Restricted Cash	FVTPL	Fair Value
Cash	FVTPL	Fair Value
Financial Liabilities		
Distribution Payable	Other Liabilities	Amortized Cost
Accounts Payable & Accrued Liabilities (except Option Liabilities)	Other Liabilities	Amortized Cost
Bank Indebtedness	Other Liabilities	Amortized Cost
Tenant Rental Deposits	Other Liabilities	Amortized Cost
Mortgages	Other Liabilities	Amortized Cost
Option Liabilities	FVTPL	Fair Value

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, with the exception of those classified as FVTPL, are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities classified as FVTPL are recognized immediately in net income.

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The Trust uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of financial instruments carried at fair value. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on inputs not based on observable market data.

(h) Unitholders' Equity

The Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standard 32 (IAS 32) and as further described in note 8(b). 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, puttable instruments may be presented as equity. To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption". The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings. Additional information regarding Unitholders' Equity is in note 8 of these consolidated financial statements.

(i) Unit-Based Compensation
The REIT has a unit option plan as outlined in note 8(f), granted to senior management and the Board of Trustees of the Trust, which provides holders with the right to receive Units, which are puttable. The REIT measures these amounts at fair value at the grant date, and compensation expense is recognized over the vesting period. The fair value of the unit options are determined at each reporting period and the change in fair value is recognized as a fair value adjustment to financial instruments. Unit-based compensation is classified as a liability.

(j) Revenue Recognition
The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue from investment properties includes rents earned from tenants under lease agreements, realty tax and operating cost recoveries and other incidental income. Base rents are recognized as revenue on a straight-line basis over the term of the underlying leases. The Trust also earns dividends, interest income and other income from its cash and marketable securities assets and recognizes this income when earned.

(k) Leasing Costs
Amounts expended to meet the Trust's obligations under lease contracts are characterized as either tenant improvements, which enhance the value of the property, or lease inducements. When the obligation is determined to be a tenant improvement, the Trust is considered to have acquired an asset. Accordingly, tenant improvements are capitalized as part of investment property. When the obligation is determined to be a lease inducement, the amount is recognized as an asset and is deferred and amortized over the term of the lease as a reduction of revenue.

Leasing commissions incurred by the Trust in negotiating and arranging tenant leases are added to the carrying amount on investment properties.

(l) Income Taxes
The Trust is a mutual fund trust and a real estate investment trust (a "REIT") pursuant to the Income Tax Act (Canada) (the "Tax Act"). Under current tax legislation, a REIT is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders each year. The Trust is a REIT if it meets prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the "REIT Conditions"). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application.

The Trust intends to qualify as a REIT under the Tax Act and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements.

(m) Estimates
The preparation of the consolidated financial statements requires management to make estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Investment Properties - The estimates used when determining the fair value of investment properties are capitalization rates, discount rates and estimated future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals, if any. For additional details, please refer to note 4 of these consolidated financial statements.

Unit-Based Compensation - The Trust has a unit option plan, which provides holders with the right to receive trust units, which are puttable. The Trust measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period. The amounts are fair valued at each reporting period and the change in fair value is recognized as compensation expense. The unit-based compensation is presented as a liability.

Fair value of financial instruments - The fair value of financial instruments is estimated as the amount for which an instrument could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The critical estimates and assumptions underlying the fair value of financial instruments are described herein in these consolidated financial statements.

(n) Critical Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts reported in the consolidated financial statements is as follows:

Accounting for Acquisitions - Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Trust’s acquisitions are generally determined to be asset purchases as the Trust does not acquire an integrated set of processes as part of the acquisition transaction.

Joint Arrangements - The Trust's policy for its joint arrangements is described in Note 2(d). In applying this policy, the Trust makes judgments with respect to whether the Trust has joint control and whether the arrangements are joint operations or joint ventures.

Classification of Trust Units as liabilities and equity - The Trust's accounting policies relating to the classification of Units as liabilities and equity are described in Note 2(h). The critical judgments inherent in these policies relate to applying the criteria set out in IAS 32, "Financial Instruments Presentation", relating to the Puttable Instrument Exemption.

Leases - The Trust's policy for revenue recognition is described in Note 2(j). In applying this policy, the Trust makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as additions to investment property or incentives resulting in an adjustment to revenue. The Trust also makes judgments in determining whether certain leases are operating or finance leases. All tenant leases where the Trust is a lessor have been determined to be operating leases.

Income Taxes - Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders in the year. The Trust is a real estate investment trust if it meets certain prescribed conditions under the Tax Act relating to the nature of its assets and revenue (the “REIT Conditions”). The Trust has reviewed the REIT Conditions and has assessed their interpretation and application to the Trust’s assets and revenue, and it has determined that it qualifies as a real estate investment trust. The Trust intends to continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure that the Trust will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in the consolidated financial statements. The Trust expects to continue to qualify as a real estate investment trust under the Tax Act; however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the Trust would therefore be subject to tax.

(o) New Accounting Policies Adopted During the Period

i. Financial Instrument: Presentation
IAS 32 - Financial Instruments: Presentation (“IAS 32”) was amended in December 2011. The amendments address inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of ‘currently has a legally enforceable right to set-off', and clarifying that some gross settlement systems may be considered equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. The Trust's adoption of this amendment did not result in a material impact to these consolidated financial statements.

ii. Levies
IFRIC 21 - Levies (“IFRIC 21”) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. Realty taxes payable by the Trust may be considered levies. The Trust's interpretation of IFRIC 21 did not result in a material impact to these consolidated financial statements.

iii. Impairment of Assets
IAS 36 - Impairment of Assets (“IAS 36”) was amended to remove certain disclosures of the recoverable amount of cash generating units that had been included in IAS 36 by the issue of IFRS 13. The amendments are effective for annual periods beginning on or after January 1, 2014. The Trust's adoption of this amendment did not result in a material impact to these consolidated financial statements.

(p) Future Changes in Accounting Policies
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015 and have not been applied in preparing these consolidated financial statements. A summary of these standards is as follows:

i. IFRS 7 - Financial Instruments: Disclosures (“IFRS 7”) was amended in October

2010. The amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of and risks associated with an entity's continuing involvement in derecognized financial assets and the offsetting of financial assets and liabilities. The amendments are effective for annual periods beginning on or after January 1, 2015 and are required to be applied in accordance with the standard.

ii. IFRS 9 - Financial Instruments ("IFRS 9") will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. IFRS 9 was amended by the IASB in October 2010 to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss. When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the credit risk of the instrument must be recognized in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

iii. IFRS 15 – Revenue from Contracts with Customers (“IFRS 15). In May 2014, the IASB issued IFRS 15, which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and IFRIC 13 - Customer Loyalty Programs, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements. IFRS is to be applied retrospectively for annual periods beginning on or after January 1, 2017.

The Trust is currently evaluating the impact of these new and amended standards on its consolidated financial statements.

3. Acquisition of Investment Properties

On April 9, 2013, the Trust acquired a 42,884 square foot professional services medical building for $6,884,578 (including transaction costs) located in Barrie, Ontario (the “Core Service Provider Office”). In addition, a mortgage with a face amount of $3,302,273 (excluding a $192,678 fair value adjustment) and tenant rental deposits of $19,199 were assumed as part of the acquisition.

On August 1, 2013, the Trust acquired a 50% undivided interest in 25 industrial buildings comprised of 1,029,898 square feet located in Montreal, Quebec (the “Montreal Industrial Portfolio”). The total acquisition cost for the Trust’s 50% interest in the portfolio was $24,408,219 (including transaction costs). In addition, accounts receivables of $10,168, prepaid expenses of $280,950, net of tenant rental deposits of $274,745 were assumed as part of the acquisition. The remaining 50% was acquired by an entity that is indirectly related to certain trustees of the Trust.

On June 25, 2014, the Trust acquired a 70% undivided interest in 25 retail buildings comprised of 230,822 square feet located across Canada (the “Centre Ice Retail Portfolio”). The total acquisition cost for the Trust’s 70% interest in the portfolio was $23,473,400 (including transaction costs). In addition, restricted cash of $42,005, accounts receivables of $54,272, net of accounts payable of $537,694, tenant rental deposits of $145,593 and a mortgage with a face amount of $10,153,386 (excluding a $278,506 fair value adjustment in the form of an interest rate buy down) were assumed as part of the acquisition. The remaining 30% was acquired by an entity that is indirectly related to certain trustees of the Trust.

On November 26, 2014, the Trust acquired a 50% undivided interest in a 135 unit multi-residential complex located in Ottawa, Ontario ("Ottawa Apartment Complex"). The total acquisition cost for the Trust's 50% interest in the portfolio was $5,738,538 (including transaction costs). In addition, accounts receivable of $9,812, net of tenant rental deposits of $53,620 and a mortgage with a face amount of $2,426,029 (net of assumption costs and a $84,299 fair value adjustment) were assumed as part of the acquisition. The remaining 50% was acquired by an entity that is indirectly related to certain trustees of the Trust.

The acquisitions have been accounted for as asset acquisitions using the acquisition method, with the results of operations included in the Trust's accounts from the date of acquisition. The net assets acquired for all transactions are as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Investment Properties, including Acquisition Costs	$ 29,296,237	$ 31,485,475
Restricted Cash	42,005	-
Accounts Receivable	64,084	10,168
Prepaid Expenses	-	280,950
Accounts Payable	(537,694)	-
Tenant Rental Deposits	(199,213)	(293,944)
Assumed Mortgage at Fair Value	(12,942,221)	(3,494,951)
Net Assets Acquired	$ 15,723,198	$ 27,987,698
Consideration Paid, Funded By:		
Bank Indebtedness	$ 6,133,060	$ 1,605,647
Mortgages	4,274,491	16,521,009
Cash	5,315,647	9,861,042
	$ 15,723,198	$ 27,987,698

4. Investment Properties

	Net Lease Convenience Retail	Core Service Provider Office	Industrial	Multi-Residential	Total
Balance, December 31, 2012	$ 27,205,000	$ -	$ -	$ -	$ 27,205,000
Acquisitions	-	7,077,256	24,408,219	-	31,485,475
Capital Expenditures	-	-	15,081	-	15,081
Fair Value Adjustment	1,072,451	24,562	586,542	-	1,683,555
Balance, December 31, 2013	$ 28,277,451	$ 7,101,818	$25,009,842	$ -	$ 60,389,111
Acquisitions	23,473,400	-	-	5,822,837	29,296,237
Capital Expenditures	35,964	3,373	177,516	-	216,853
Fair Value Adjustment	812,642	(47,886)	605,094	(84,299)	1,285,551
Balance, December 31, 2014	$ 52,599,457	$ 7,057,305	$25,792,452	$ 5,738,538	$ 91,187,752

For the year ended December 31, 2014, senior management of the Trust valued the Investment Properties using the overall capitalization method. Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties the current use is considered the best use. Fair value was determined by applying a capitalization rate to stabilized net operating income ("Stabilized NOI"). Stabilized NOI incorporates allowances for vacancy, management fees and structural reserves for tenant inducements and capital expenditures and is capped at a rate deemed appropriate for each investment property. Capitalization rates are based on many factors, including but not limited to the asset location, type, size and quality of the asset and taking into account any available market data at the valuation date.

Investment Properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. There have been no transfers into or out of Level 3 in the current year.

Significant unobservable inputs in Level 3 valuations are as follows:

Year Ended December 31, 2014	Net Lease Convenience Retail	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	6.5% - 7.75%	7.25%	7.75%	5.98%	7.41%
Weighted Average Capitalization Rate	7.46%	7.25%	7.75%	5.98%	7.41%
Weighted Average Stabilized NOI	$ 1,217,366	$ 511,655	$ 1,998,915	$ 343,263	$ 1,329,509

Year Ended December 31, 2013	Net Lease Convenience Retail	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	6.5% - 8.0%	7.25%	7.85%	-	7.47%
Weighted Average Capitalization Rate	7.24%	7.25%	7.85%	-	7.47%
Weighted Average Stabilized NOI	$ 668,612	$ 514,882	$ 1,963,273	$ -	$ 1,191,691

The fair value of the Trust's investment properties is sensitive to changes in the significant unobservable inputs. Changes in certain inputs would result in a change to the fair value of the Trust's investment properties as set out in the following table:

		Year Ended December 31, 2014
Weighted Average		**Increase/(Decrease) in Valuation**
- Capitalization Rate	25 basis point increase	$ (2,976,000)
- Capitalization Rate	25 basis point decrease	$ 3,187,000

Generally, an increase in NOI will result in an increase to the fair value of an investment property. An increase in the capitalization rate will result in a decrease to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI.

5. Accounts Payable & Accrued Liabilities

Accounts payable and accrued liabilities as at December 31, 2014 and as at December 31, 2013 are $1,529,899 and $911,778, respectively, and consist of the following:

		December 31, 2014		December 31, 2013
Professional Fees	$	58,115	$	128,965
Utilities, Repairs & Maintenance, Other		993,468		566,453
Due to Asset & Property Manager (notes 13(a) and 13(b))		115,297		44,632
Accrued Interest Expense		151,203		49,911
Option Liabilities (note 8(f))		211,816		121,817
Accounts Payable & Accrued Liabilities	$	1,529,899	$	911,778

6. Bank Indebtedness

On November 29, 2012, the Trust entered into a Revolving Operating Facility (the “Facility”) with a Canadian Chartered Bank fully secured by first charges against certain investment properties that was due to be repaid on November 29, 2014. On November 29, 2014, the Trust renewed the Facility with the Canadian Chartered Bank for an additional 24 months.

The total amount available under the Facility is $8.0 million. The interest rate is based on a calculated formula using the Canadian Chartered Bank’s Prime Lending Rate. Amounts drawn under the Facility are due to be repaid at the maturity date on November 29, 2016.

Bank Indebtedness as at December 31, 2014 (with comparatives as at December 31, 2013) is as follows:

		December 31, 2014		December 31, 2013
Bank Indebtedness, Opening	$	2,510,472	$	5,536,119
Add: Net Draws / (Repayments)		(2,464,756)		(3,071,363)
Less: Finance Fees		4,090		(4,090)
Add: Amortization - Finance Fees		(49,806)		49,806
Bank Indebtedness, Closing	$	-	$	2,510,472

7. Mortgages

As at December 31, 2014, total outstanding mortgages stood at $44,086,297 ($27,928,471 as at December 31, 2013), (net of unamortized financing costs of $162,592 ($129,264 as at December 31, 2013)), offset by a $414,433 ($178,812 as at December 31, 2013) fair value adjustment with a weighted average interest rate of approximately 4.2% (3.9% as at December 31, 2013) and weighted average repayment term of approximately 3.0 years (4.6 years as at December 31, 2013). The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Period	Total Mortgages Payable	Scheduled Interest Payments
2015	$ 1,357,786	$2,056,500	$ 3,414,286	$ 1,742,535
2016	850,117	11,840,154	12,690,271	1,113,121
2017	832,275	1,750,000	2,582,275	1,031,217
2018	574,188	19,737,909	20,312,097	632,607
2019	200,676	-	200,676	205,706
Thereafter	340,921	4,293,930	4,634,851	327,275
Face Value	$ 4,155,963	$ 39,678,493	$ 43,834,456	$ 5,052,461
Unamortized Financing Costs			(162,592)	
Fair Value Adjustment on Assumed Mortgages			414,433	
Total Mortgages			$ 44,086,297	

	December 31, 2014	December 31, 2013
Current:		
Mortgages	$ 3,414,286	$ 723,506
Unamortized Financing Costs	(52,566)	(43,365)
Fair Value Adjustment on Assumed Mortgages	223,011	32,456
	$ 3,584,731	$ 712,597
Non-Current:		
Mortgages	$ 40,420,170	$ 27,155,417
Unamortized Financing Costs	(110,026)	(85,899)
Fair Value Adjustment on Assumed Mortgages	191,422	146,356
	$ 40,501,566	$ 27,215,874
Total Mortgages	$ 44,086,297	$ 27,928,471

8. Unitholders' Equity

(a) Issued & Outstanding

	Number of Units	Amount
Balance, December 31, 2012	4,374,467	$ 21,001,540
Non-Brokered Private Placement (note 8(c))	1,250,768	6,378,917
Less: Issue Costs	-	(113,584)
Issuance of Units from Distribution Reinvestment Plan (note 8(g))	8,765	45,150
Balance, December 31, 2013	5,634,000	$ 27,312,023
Non-Brokered Private Placement (note 8(d))	1,376,780	7,296,934
Non-Brokered Private Placement (note 8(e))	1,864,445	9,974,781
Less: Issue Costs	-	(668,656)
Issuance of Units from Distribution Reinvestment Plan (note 8(g))	10,215	54,464
Issuance of Units from Unit Purchase Plan (note 8(g))	198	1,000
Balance, December 31, 2014	8,885,638	$ 43,970,546

(b) Authorized

In accordance with the Declaration of Trust, the Trust may issue an unlimited number of units (the "Trust Units"). The Board of Trustees of the Trust has discretion in respect to the timing and amounts of distributions. Each Unitholder is entitled on demand to redeem all or any part of the Trust Units registered in the name of the Unitholder at prices determined and payable in accordance with the conditions provided for in the Declaration of Trust.

Trust Units are redeemable at any time, in whole or in part, on demand by the unitholders. Upon receipt of the redemption notice by the Trust, all rights to and under the Trust Units tendered for redemption shall be surrendered and the unitholders shall be entitled to receive a price per Trust Unit equal to the lesser of:

i. 90% of the "market price" of the Trust Units on the Exchange or market on which the Units are listed or quoted for trading during the ten consecutive trading days ending immediately prior to the date on which the Trust Units were surrendered for redemption; and

ii. 100% of the "closing market price" on the Exchange or market or on which the Trust Units are listed or quoted for trading on the redemption date.

The total amount payable by the Trust, in respect of any Trust Units surrendered for redemption during any calendar month, shall not exceed $50,000 unless waived at the discretion of the Trustees and be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Trust Units were tendered for redemption. To the extent the Redemption Price payable in respect of Trust Units surrendered for redemption exceeds $50,000 in any given month, such excess will be redeemed for cash, and by a distribution in specie of assets held by the Trust on a pro rata basis.

(c) Non-Brokered Private Placement

On August 1, 2013, the Trust announced the completion of a non-brokered private placement of Trust Units. 1,250,768 trust units were issued at $5.10 per Trust Unit for gross proceeds of $6.4 million.

(d) Non-Brokered Private Placement

On January 27, 2014 and February 7, 2014, the Trust announced the completion of its first and second tranches of a non-brokered private placement of Trust Units. 1,376,780 trust units were issued at $5.30 per Trust Unit for gross proceeds of $7.3 million.

(e) Non-Brokered Private Placement

On November 19, 2014 and December 2, 2014, the Trust announced the completion of its first and second tranches of a non-brokered private placement of Trust Units. 1,864,445 trust units were issued at $5.35 per Trust Unit for gross proceeds of $10.0 million.

(f) Unit-Based Compensation Plan

Under the Trust's unit option plan, the aggregate number of unit options reserved for issuance at any given time shall not exceed 10% of the number of outstanding Trust Units. As at December 31 2014, the Trust has 692,500 Trust unit options issued and outstanding consisting of the following issuances:

On November 29, 2012, the Trust granted 415,000 Trust unit options at a weighted average exercise price of $5.00 per Trust Unit. The unit options fully vested on the date of grant and expire on November 29, 2017. During the year ended December 31, 2014, 7,500 of these options were retired, leaving a balance of 407,500 options.

On June 23, 2014, the Trust granted 285,000 Trust unit options at a weighted average exercise price of $5.30 per Trust Unit. The unit options fully vested on the date of grant and expire on June 23, 2019.

Unit-based compensation relates to the aforementioned unit options for the year ended December 31, 2014 and stands at an expense of $89,999 ($99,162 for the year ended December 31, 2013). Unit-based compensation was determined using the Black-Scholes Model and based on the following assumptions:

	Year Ended December 31, 2014	**Year Ended December 31, 2013**
Expected Option Life (Years)	1.0	1.0
Risk Free Interest Rate	0.99%	0.97%
Distribution Yield	7.62%	6.93%
Expected Volatility	20.00%	20.00%

Expected volatility is based in part on the historical volatility of the Trust Units. The risk free interest rate of return is the yield on zero-coupon Government of Canada bonds of a term consistent with the expected option life.

The fair value of an option under the Trust's unit option plan at the date of grant was $0.50 and $0.25 per unit option for the November 29, 2012 and June 23, 2014 issuances, respectively.

(g) Distribution Reinvestment Plan ("DRIP") and Unit Purchase Plan ("UPP")

The Trust has both a DRIP and UPP currently in place. Under the terms of the DRIP, the Trust's Unitholders may elect to automatically reinvest all or a portion of their regular monthly distributions in additional Trust Units, without incurring brokerage fees or commissions. Trust Units purchased through the DRIP are acquired at the weighted average closing price of Trust Units in the five trading days immediately prior to the distribution payment date. Trust Units purchased through the DRIP will be acquired either in the open market or be issued directly from the Trust's treasury based on a floor price to be set at the discretion of the Board of Trustees.

The UPP gives each Unitholder resident in Canada the right to purchase additional Trust Units. Unitholders who elect to receive Trust Units under the DRIP may also enroll in the Trust's UPP. Under the terms of the UPP, Trust Unitholders may purchase a minimum of $1,000 of Units on each Monthly Purchase Date and maximum purchases of up to $12,000 per annum. The aggregate number of Trust Units that may be issued may not exceed 2% of the Trust Units of the Trust per annum.

For the years ended December 31, 2014 and December 31, 2013, 10,215 and 8,765 Trust Units were issued, respectively, from treasury for total gross proceeds of $54,464 and $45,150, respectively, to Unitholders who elected to receive their distributions under the DRIP.

For the years ended December 31, 2014 and December 31, 2013, 198 and nil Trust Units were issued, respectively, from treasury for total gross proceeds of $1,000 to Unitholders who elected to receive Trust Units under the UPP.

(h) Distributions

For the year ended December 31, 2014, distributions per unit of $0.030833 were declared each month commencing in January, 2014 through to September, 2014 and $0.033333 per unit for October, 2014, November, 2014 and December, 2014 resulting in total distributions declared of $2,763,443. For the year ended December 31, 2013, distributions per unit of $0.029166 were declared each month commencing in January, 2013 through to October, 2013 and $0.030833 per unit for the months of November and December, 2013 and resulting in total distributions declared of $1,733,739.

9. Revenue

The Trust currently leases real estate to tenants under operating leases. Future minimum rental income on tenant operating leases over their remaining lease terms is as follows:

Within one year	$ 6,343,393
Later than one year and not longer than five years	14,152,717
Thereafter	2,008,775
	$ 22,504,885

10. Income and Gain on Sale from ISG Capital Corporation

During 2013, the Trust received $66,140 of income from ISG. In addition, on July 16, 2013, the Trust sold ISG for $50,000 and which had a carrying value of nil.

11. Finance Costs

Finance Costs for the years ended December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Mortgage Interest	$ 1,304,825	$ 592,801
Bank Indebtedness Interest	129,707	145,034
Finance Fee Amortization	73,315	54,190
Non-Cash Interest Expense	(29,676)	(13,866)
Finance Costs	$ 1,478,171	$ 778,159

Finance fee amortization relates to fees paid on securing the Facility and the Trust's various mortgages. Non-cash interest expense relates to the fair value adjustment to interest expense required as a result of the assumed mortgages from the acquisition of the Core Service Provider Office and the Ottawa Apartment Complex.

12. Property Operating and General & Administrative Expenses

Property operating expenses include realty taxes as well as other costs related to maintenance, HVAC, insurance, utilities and property management fees. General & Administrative expenses include professional fees, public company expenses, office and general, insurance and asset management fees.

Property operating and General & Administrative expenses for the years ended December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Realty Taxes	$ 2,200,079	$ 1,213,496
Property Management Fees	547,457	266,463
Operating Expenses	1,083,512	574,432
Property Operating Expenses	$ 3,831,048	$ 2,054,391

	December 31, 2014	December 31, 2013
Professional Fees	$ 124,743	$ 116,847
Asset Management Fees	605,423	344,193
Public Company Expenses	123,394	110,065
Office & General	39,096	30,954
Insurance	10,226	21,378
General & Administrative	$ 902,882	$ 623,437

13. Related Party Transactions

(a) Asset Management Agreement

The Trust has entered into an Asset Management Agreement with Firm Capital Realty Partners Inc. ("FCRPI"), an entity indirectly related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods.

As part of the Agreement, FCRPI agrees to provide the following services which include but are not limited to the following: (i) arrange financing, refinancings and structuring of financings for the Trust's Investment Properties and future acquisitions; (ii) identify, recommend and negotiate the purchase price for acquisitions and dispositions; (iii) prepare budgets and financial forecasts for the Trust and future acquisitions; (iv) provider of services of senior management including the CEO and CFO; (v) assist in investor relations for the Trust; (vi) assist the Trust with regulatory and financial reporting requirements (other than services provided by the CFO of the Trust); (vii) assist the Trust with the preparation of all documents, reports data and analysis required by the Trust for its filings and document necessary for its continuous disclosure requirements pursuant to applicable stock exchange rules and securities laws; (viii) attend meetings of Trustees or applicable committees, as requested by the Trust, to present financing opportunities, acquisition opportunities and disposition opportunities; and (ix) arrange and coordinating advertising, promotional, marketing and related activities on behalf of the Trust.

In addition, FCRPI provides a member of the FCRPI's senior management team to act as Vice President, Investment Portfolio Management of the Trust, for a fixed fee of $25,000 per annum until the Trust's assets are equivalent of $100 million or more, at which time the Trust shall internalize the position of Vice President, Investment Portfolio Management and the above fee arrangement will be terminated, at which point all costs associated with such employee will be assumed by the Trust.

As compensation for the services, FCRPI is paid the following fees:

(a) Asset Management Fees: The Trust pays the following fees annually:

  I. 0.75% of the first $100 million of the Gross Book Value of the Properties; and
  II. 0.50% of the Gross Book Value of the Properties in excess of $100 million.

(b) Acquisition Fees: The Trust pays the following acquisition fees:

  I. 0.75% of the first $100 million of aggregate Gross Book Value in respect of new properties acquired in a particular year;
  II. 0.65% of the next $100 million of aggregate Gross Book Value in respect of new properties acquired in such year; and thereafter
  III. 0.50% of the aggregate Gross Book Value of new properties acquired in such year.

(c) Performance Incentive Fees: The Trust pays a fee equivalent to 15% of Adjusted Funds From Operations ("AFFO") once AFFO exceeds $0.40 per Unit.

(d) Placement Fees: The Trust pays a fee equivalent to 0.25% of the aggregate value of all debt and equity financing arranged by FCRPI.

In addition to the fees outlined above, FCRPI is entitled to reimbursement of all actual expenses incurred in performing its responsibilities under the Asset Management Agreement.

For the years ended December 31, 2014 and December 31, 2013, Asset Management Fees were $556,975 and $344,193; Acquisition Fees were $211,297 and $231,000; Placement Fees were $56,313 and $78,263 and Performance Incentive Fees were $48,448 and nil, respectively.

Asset Management and Performance Incentive Fees are recorded in General & Administrative Expenses while Acquisition and Placement Fees are capitalized to Investment Properties, Mortgages and Unitholders' Equity on the Consolidated Balance Sheet.

As at December 31, 2014, $48,448 ($15,063 as at December 31, 2013) was due to FCRPI and has been accounted for in accounts payable and accrued liabilities.

(b) Property Management Agreement

The Trust has entered into a Property Management Agreement with Firm Capital Properties Inc. ("FCPI"), an entity indirectly related to certain trustees and management of the Trust. The term of the contract is initially ten years and automatically renews for successive five year periods.

As part of the Agreement, FCPI agrees to provide the following services which include but are not limited to the following: (i) lease the Properties and to obtain tenants from time to time as vacancies occur; (ii) to establish the rent, the duration, the terms and conditions of all leases and renewals thereof; (iii) to enter into agreements to lease and offers to lease in respect of the Properties; (iv) collect all rents, including parking revenues, tenant recoveries, leasehold recoveries and any other revenues or monies accruing to the Properties, or sums which may be receipts due and payable in connection with or incidental to the Properties; (v) maintain the Properties in reasonable operating condition and repair, (vi) arrange for and supervise the making or installation of such maintenance, repairs, improvements (including tenant improvements) and alterations as may be required; (vii) maintain all licenses and permits as required; (viii) collect all rents; (ix) recover all operating costs as required under various tenant lease arrangements; (x) prepare all property operating and capital expenditure budgets; and (xi) undertake, supervise and budget all tenant improvements, construction projects and alterations.

As compensation for the services, FCPI is paid the following fees:

(a) Property Management Fees: The Trust pays the following fees annually:

I. Multi-Unit Residential Properties: For each multi-unit residential property with 120 units or less, a fee equal to four percent (4.0%) of Gross Revenues and for each multi-unit residential property with more than 120 units, a fee equal to three and one half percent (3.5%) of Gross Revenues.

II. Industrial & Commercial Properties: Fee equal to four and one quarter percent (4.25%) of Gross Revenues from the property; provided, however, that for such properties with a single tenant, the fee shall be equal to three percent (3.0%) of Gross Revenues.

(b) Commercial Leasing Fees: Where FCPI leases a rental space on commercial terms, FCPI shall be entitled to receive a leasing commission equal to three percent (3.0%) of the net rental payments for the first year of the lease, and one and one half percent (1.5%) of the net rental payments for each year during the balance of the duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long term listing agreement, FCPI shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property. No leasing fees will be paid for relocating existing tenants, rewriting leases or holding over without a lease unless the area or length of term has increased.

(c) Commercial Leasing Renewal Fees: Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by FCPI shall be subject to a commission payable to FCPI of one half of one percent (0.50%) of the net rental payments for each year of the renewed lease.

(d) Construction Development Property Management Fees: Where FCPI is requested by the Trust to construct tenant improvements or to renovate same, or where FCPI is requested by the Trust to construct, modify, or reconstruct improvements to, or on, the Properties (collectively, “Capital Expenditures”), FCPI shall receive as compensation for its services with respect thereto a fee equal to five percent (5.0%) of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process where the total cost of Capital Expenditures exceed $50,000.

In addition to the fees outlined above, FCPI is entitled to reimbursement of all actual expenses incurred in performing its responsibilities under the Property Management Agreement.

For the years ended December 31, 2014 and December 31, 2013, Property Management Fees were $499,805 and $242,981 and Commercial Leasing Fees were $47,652 and $23,482, respectively.

As at December 31, 2014, $66,849 ($29,569 as at December 31, 2013) was due to FCPI and has been accounted for in accounts payable and accrued liabilities.

(c) Lease Agreement
On August 1, 2013, FCPI entered into a lease agreement with the entity that owns the Montreal Industrial Portfolio to lease office space on commercially available terms. For the years ended December 31, 2014, $22,320 ($22,320 for the twelve months ended December 31, 2013) of base rent was paid on this lease.

14. Income Taxes

The Trust currently qualifies as a mutual fund trust and a real estate investment trust ("REIT") for Canadian income tax purposes. Under current tax legislation, income distributed annually by the Trust to unitholders is a deduction in the calculation of its taxable income. As the Trust intends to distribute all of its taxable income to its unitholders, the Trust does not record a provision for current Canadian income taxes.

The Tax Act contains legislations affecting the tax treatment of a specified investment flow-through ("SIFT") trust or partnership (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership or trust, such as an income trust.

Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and a SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital should generally not be subject to tax.

The SIFT Rules do not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's assets and revenues. The REIT believes that it has met the REIT Conditions throughout the twelve months ended December 31, 2014 and December 31, 2013. As a result, the REIT does not recognize any deferred income tax assets or liabilities for income tax purposes.

15. Key Management Personnel

Key management personnel include all senior management of the Trust employed by FCRPI and FCPI and Trustees of the Trust. Management salaries are payable by FCRPI under the Asset Management Agreement as reflected in note 13(a).

16. Commitments & Contingencies

For the years ended December 31, 2014 and December 31, 2013, the Trust had no material commitments and contingencies other than those outlined in notes 13(a) and 13(b).

17. Capital Management

The Trust's objectives when managing capital are to safeguard the ability to continue as a going concern and to generate sufficient returns to provide unitholders with stable cash distributions. The Trust's capital currently consists of Bank Indebtedness, Mortgages and Unitholders' Equity.

The Trust's Declaration of Trust permits the Trust to incur or assume indebtedness, provided that after giving effect to incurring or assuming any indebtedness (as defined in the Declaration of Trust), the amount of such indebtedness of the Trust is not more than 75% of the gross book value of the Trust's total assets. Gross book value ("GBV") is defined in the Declaration of Trust as "at any time, the book value of the assets of the Trust and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of such assets (and related intangible assets) shown thereon or in the notes thereto plus the amount of future income tax liability arising out of indirect acquisitions and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the Trust shown thereon or in the notes thereto, or if approved by a majority of the Trustees at any time, the appraised value of the assets of the Trust and its consolidated subsidiaries may be used instead of book value." As at December 31, 2014 and December 31, 2013, the ratio of such indebtedness to gross book value was 46.6% and 49.5%, respectively, which complies with the requirement in the Declaration of Trust and is consistent with the REIT's objectives.

With respect to the Bank Indebtedness, the Trust must maintain ratios including minimum unitholders' equity, maximum debt/GBV, minimum interest service and debt service coverage ratios. The Trust monitors these ratios and is in compliance with these requirements throughout the years ended December 31, 2014 and December 31, 2013.

18. Risk Management & Fair Values

(a) Risk Management:
In the normal course of business, the Trust 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. Market Risk

(a) Interest Rate Risk:

The Trust is exposed to interest rate risk on its borrowings. It minimizes the risk by restricting debt to 75% of the gross book value of the Trust's gross book value of its assets. The Trust has its bank indebtedness and two mortgage financings under variable rate terms.

The following table outlines the impact on interest expense of a 100 basis point increase or decrease in interest rates on the REIT's variable rate debt:

Impact on Interest Expense		**December 31, 2014**		**December 31, 2013**
Bank Indebtedness	$	-	$	25,289
Mortgages		63,563		20,963
	$	63,563	$	46,252

(b) Credit Risk

The Trust's maximum exposure to credit risk is equivalent to the carrying value of accounts receivable.

The Trust is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. Management mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Trust's properties are diversified across seven Canadian provinces and numerous tenants. The majority of the accounts receivable balance consists largely of tenant receivables and Harmonized Sales Tax ("HST") and Quebec Sales Tax ("QST") receivables. These receivable balances are expected to be collected in due course.

(c) Liquidity Risk

Liquidity risk is the risk the Trust will not be able to meet its financial obligations as they come due. The Trust manages liquidity by maintaining adequate cash and by having appropriate credit facilities available. The Trust has the ability to access the debt capital markets and is able to receive debt capital as and when required. In addition, the Trust continuously monitors and reviews both actual and forecasted cash flows.

The following are the estimated maturities of the Trust's non-derivative financial liabilities as at December 31, 2014 including bank indebtedness, mortgages, tenant rental deposits, distribution payable, and accounts payable and accrued liabilities.

	Less than 1 Year	1 - 2 Years	>2 Years	Total
Bank Indebtedness (note 6)	$ -	$ -	$ -	$ -
Mortgages (note 7)	3,414,286	15,272,546	25,147,624	43,834,456
Tenant Rental Deposits	128,502	96,996	385,233	610,731
Distribution Payable	296,185	-	-	296,185
Accounts Payable & Accrued Liabilities (note 5)	1,529,899	-	-	1,529,899
	$ 5,368,872	$ 15,369,542	$ 25,532,857	$ 46,271,271

II. Fair values

The Trust uses a three-level hierarchy that reflects the significance of the inputs used in making fair value measurements of financial instruments carried at fair value. Level 1 of the fair value hierarchy uses quoted market prices in active markets for identical assets or liabilities to determine the fair value of assets and liabilities. Level 2 includes valuations using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 valuations are based on input for the asset or liability that are not based on observable market data.

The fair value of the Trust's cash, restricted cash, accounts receivable, deposits, other assets, distribution payable, tenant rental deposits, and accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. Bank indebtedness approximates carrying amounts due to the fact that it is based on floating interest rates.

The fair value of the Trust's financial instruments is summarized in the following table:

	December 31, 2014		December 31, 2013
	Loans & Receivables / Other Liabilities	FVTPL	
Financial Assets			
Accounts Receivable	$ 522,653	$ -	$ 241,928
Deposits & Other Assets	95,926	-	3,924
Marketable Securities	-	212,772	239,354
Restricted Cash	-	84,005	-
Cash	-	2,445,297	432,560
Financial Liabilities			
Distribution Payable	$ 296,185	$ -	$ 173,713
Accounts Payable & Accrued Liabilities (except Option Liabilities)	1,318,083	-	789,961
Bank Indebtedness	-	-	2,510,472
Tenant Rental Deposits	610,731	-	368,341
Mortgages	44,086,297	-	27,928,471
Option Liabilities	-	211,816	121,817

III. Fair value hierarchy

Under the fair value hierarchy, financial instruments are measured at fair value on the consolidated balance sheet and the trust liabilities are measured using a Level 1 methodology.

The fair value of the marketable securities is based on quoted market prices (Level 1).

The fair value of the mortgages is estimated based on the present value of future payments, discounted at a yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage (Level 2). The estimated fair value of the mortgages approximates its carrying value.

The fair value of unit-based compensation relates to unit options granted which are carried at fair value, estimated using the Black-Scholes pricing model for option valuation (Level 3) as outlined in note 8(f).

19. Subsequent Events

(a) On January 15, 2015, February 16, 2015, March 16, 2015, the Trust distributed monthly cash distributions of $0.033333 per Trust unit to unitholders of record at the close of business on December 31, 2014, January 30, 2015 and February 27, 2015, respectively.

(b) On March 24, 2015, the Trust closed a non-brokered private placement of 557,008 trust units at a price of $5.35 per Trust Unit for gross proceeds of approximately $3.0 million.

(c) On March 25, 2015, the Trust declared and approved distributions in the amount of $0.033333 per Trust unit payable on or about May 15, 2015, June 15, 2015 and July 15, 2015 to unitholders of record on April 30, 2015, May 29, 2015 and June 30, 2015 respectively.

20. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.