FIRM CAPITAL PROPERTY TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

CONSOLIDATED FINANCIAL STATEMENTS

FOURTH QUARTER 2017
DECEMBER 31, 2017

March 21, 2018

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 sheet as at December 31, 2017 and December 31, 2016 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
400 Bradwick Drive, Suite 100, Concord, Ontario, Canada L4K 5V9
T: +1 905 326 6800, F: +1 905 326 5339

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, 2017 and December 31, 2016 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, 2017	December 31, 2016
Assets			
Non-Current Assets:			
Investment Properties	4	$ 200,209,691	$ 163,892,069
Current Assets:			
Accounts Receivable		1,816,009	1,850,498
Prepaid Expenses, Deposits and Other Assets		616,156	386,452
Restricted Cash		197,762	-
Cash and Cash Equivalents		-	615,352
Total Current Assets		2,629,927	2,852,302
Total Assets		$ 202,839,618	$ 166,744,371
Liabilities & Unitholders' Equity			
Current Liabilities:			
Mortgages	7	25,764,488	3,825,387
Bank Indebtedness	6	8,453,216	-
Accounts Payable and Accrued Liabilities	5	3,305,248	3,791,372
Distribution Payable		498,423	464,690
Tenant Rental Deposits		219,256	-
Total Current Liabilities		38,240,631	8,081,449
Non-Current Liabilities			
Mortgages	7	70,558,639	80,294,340
Tenant Rental Deposits		907,979	966,415
Total Non-Current Liabilities		71,466,618	81,260,755
Total Liabilities		109,707,249	89,342,204
Unitholders' Equity	8	93,132,369	77,402,167
Total Liabilities and Unitholders' Equity		$ 202,839,618	$ 166,744,371
Commitments & Contingencies	15		
Subsequent Events	18		

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, 2017 and December 31, 2016

	Notes		December 31, 2017		December 31, 2016
Net Operating Income					
Rental Revenue	9	$	19,318,609	$	16,272,929
Property Operating Expenses	11		(7,777,842)		(6,833,199)
			11,540,767		9,439,730
Other Income			4,653		40,572
Expenses:					
Finance Costs	10		3,035,639		2,507,460
General and Administrative	11		1,998,680		1,584,648
Unit-based Compensation Expense	8(g)		106,400		238,627
			5,140,719		4,330,735
Income Before Fair Value Adjustments and Other			6,404,701		5,149,567
Fair Value Adjustments and Other:					
Gain on Sale of Investment Properties	4		846,541		931,000
Investment Properties	4		8,978,210		1,881,199
Marketable Securities			-		4,353
Net Income and Comprehensive Income		$	16,229,452	$	7,966,119

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statements of Changes in Unitholders' Equity
For the Years Ended December 31, 2017 and December 31, 2016

	Notes	Trust Units (Note 8)	Retained Earnings	Unitholders' Equity
Unitholders' Equity, December 31, 2015		$ 57,648,489	$ 9,567,855	$ 67,216,344
Issuance of Units, Net of Issuance Costs	8(c),(d)	7,003,393	-	7,003,393
Options Exercised	8(e)	125,000	-	125,000
Issuance of Units from Distribution Reinvestment Plan	8(h)	186,071	-	186,071
Net Income and Comprehensive Income		-	7,966,119	7,966,119
Distributions	8(i)	-	(5,094,760)	(5,094,760)
Unitholders' Equity, December 31, 2016		$ 64,962,953	$ 12,439,214	$ 77,402,167
Options Exercised	8(e)	1,928,000	-	1,928,000
Issuance of Units from Distribution Reinvestment Plan	8(h)	169,544	-	169,544
Issuance of Units, Net of Issuance Costs	8(f)	3,063,523	-	3,063,523
Net Income and Comprehensive Income		-	16,229,252	16,229,252
Distributions	8(i)	-	(5,660,117)	(5,660,117)
Unitholders' Equity, December 31, 2017		$ 70,124,020	$ 23,008,349	$ 93,132,369
Trust Units Outstanding	8(a)			13,593,612

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and December 31, 2016

	Notes	December 31, 2017	December 31, 2016
Cash Flows from (used in) Operating Activities			
Net Income		$ 16,229,452	$ 7,966,119
Fair Value Adjustments:			
Investment Properties	4	(8,978,210)	(1,881,199)
Marketable Securities		-	(4,353)
Gain on Sale of Investment Properties	4	(846,541)	(931,000)
Unit-Based Compensation Expense	8(g)	106,400	238,627
Finance Costs, Net of Interest and Dividends		3,030,986	2,466,888
Finance Fee Amortization	10	352,220	216,696
Non-cash Interest Expense	10	(59,032)	(77,494)
Straight line Rent Adjustment		(206,116)	(158,279)
Free Rent, Net of Amortization		(15,061)	(20,473)
Change in Non-Cash Operating Working Capital:			
Accounts Receivable		98,174	(897,777)
Prepaid Expenses, Deposits and Other Assets		(282,333)	242,828
Restricted Cash		(197,762)	123,709
Accounts Payable and Accrued Liabilities		(387,314)	1,107,908
Tenant Rental Deposits		235,539	(18,963)
Interest Accrual		(2,247)	(37,401)
		$ 9,078,155	$ 8,335,836
Cash Flows from (used in) Financing Activities			
Issuance of Units, Net of Issuance Costs	8	5,161,067	7,314,464
Mortgages, Advances	7	-	37,705,000
Mortgages, Repayments	7	(3,030,280)	(16,216,277)
Cash Interest Paid, Net of Other Income		(3,028,740)	(2,429,487)
Cash Distributions Paid		(5,625,820)	(5,030,018)
		$ (6,523,773)	$ 21,343,682
Cash Flows from (used in) Investing Activities			
Net Proceeds From Sale of Investment Properties	4	2,014,841	2,698,500
Capital Expenditures and Acquisitions (Including Closing Costs)	3,4	(13,637,791)	(35,893,050)
Marketable Securities		-	183,008
		$ (11,622,950)	$ (33,011,542)
Decrease in Cash and Cash Equivalents		(9,068,568)	(3,332,024)
Cash and Cash Equivalents, Beginning of Year		615,352	3,947,376
Cash and Cash Equivalents / (Bank Indebtedness), End of Year		$ (8,453,216)	$ 615,352

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 21, 2018.

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, 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 year are described in note 2(p).

(d) Co-Ownership Arrangement

The Trust currently is a co-owner in six joint arrangements, a 50% interest in the Montreal Industrial Portfolio, a 70% interest in the Centre Ice Retail Portfolio, a 50% interest in the Ottawa Apartment Complex, a 70% interest in the Waterloo Industrial Portfolio, a 40% interest in Thickson Place and a 40% interest in The Whitby Mall. 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 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) Restricted Cash
The Trust holds a restricted cash balance which relates to an escrow account for tax purposes.

(g) 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 on 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 on, 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.

Investment properties are held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties and assets held for sale continue to be measured at fair value.

(h) Financial Instruments
Initially, all financial assets and liabilities are recorded on the consolidated balance sheets 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 and Other Assets	Loans & Receivables	Amortized Cost
Restricted Cash	FVTPL	Fair Value
Cash and Cash Equivalents	FVTPL	Fair Value
Financial Liabilities		
Distribution Payable	Other Liabilities	Amortized Cost
Accounts Payable and Accrued Liabilitie (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 are 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.

(i) 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.

(j) Unit-Based Compensation
The REIT has a unit option plan as outlined in note 8(g), 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 values 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.

(k) 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 interest income from its cash and recognizes this income when earned.

(l) 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 of investment properties.

(m) 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 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 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.

(n) Estimates
The preparation of 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 on 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 in certain cases, 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 a 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.

(o) 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(i). 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(k). 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 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 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.

(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, 2018 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, 2018 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 fair value through profit or loss (“FVTPL”). 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. The Trust has assessed the impact of IFRS 9 to its consolidated financial statements and has concluded that there is no significant impact to the consolidated financial statements as a result of adopting this new standard.

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 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. The Trust has assessed the impact of IFRS 15 to its consolidated financial statements and has concluded that the pattern of revenue recognition will remain unchanged upon adoption of the standard.

iv. IFRS 16 - Leases ("IFRS 16"). IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 requirements. The effective date for IFRS 16 is January 1, 2019. The Trust is currently assessing the impact of IFRS 16 to its consolidated financial statements. Based on a preliminary assessment of the standard, the Trust does not expect this standard to have a significant impact on its consolidated financial statements as leases with tenants are expected to be accounted for as operating leases in the same manner they currently are.

3. Acquisition of Investment Properties

On June 9, 2016, the Trust acquired a 40% undivided interest in a mixed-use commercial property comprised of 374,811 square feet located in Whitby, Ontario ("The Whitby Mall"). The total acquisition cost for the Trust's 40% interest in the The Whitby Mall was $14,745,834 (including transaction costs). In addition, prepaid expenses of $35,024, net of accounts payable of $328,878 and tenant rental deposits of $107,325 were assumed as part of the acquisition. The remaining 60% was acquired by a publicly traded real estate corporation (50%) and a private syndicate group (10%), which may include certain trustees of the Trust.

On September 29, 2016, the Trust acquired a 40% undivided interest in a retail property comprised of 104,808 square feet located in Whitby, Ontario ("Thickson Place"). The total acquisition cost for the Trust's 40% interest in the Thickson Place was $16,199,141 (including transaction costs). In addition, prepaid expenses of $82,913, net of tenant rental deposits of $36,719 were assumed as part of the acquisition. The remaining 60% was acquired by a publicly traded real estate corporation (50%) and a private syndicate group (10%), which may include certain trustees of the Trust.

On November 1, 2016, the Trust closed on an acquisition of a 100% interest in a retail property comprised of 16,372 square feet located in Moncton, New Brunswick. The total acquisition cost for the Trust's 100% interest was $4,798,868 (including transaction costs). In addition, prepaid expenses of $20,231, net of tenant rental deposits of $36,589 were assumed as part of the acquisition.

On November 30, 2017, the Trust closed on an acquisition of a 100% interest in a retail property comprised of 115,838 square feet located in Guelph, Ontario ("Guelph Retail Portfolio"). The total acquisition cost for the Trust's 100% interest was $27,289,805 (including transaction costs). In addition, accounts receivable of $157,493, prepaid expenses of $52,629, net of accounts payable of $205,410 and tenant rental deposits of $74,719 were assumed. The Trust also assumed a $14,799,914 first mortgage as part of the acquisition. The mortgage has a 4.40% fixed interest rate, amortizes and matures on October 1, 2024.

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. Net assets acquired during the respective periods are as follows:

	Year Ended December 31, 2017	Year Ended December 31, 2016
Investment Properties, including Acquisition Costs	$ 27,289,805	$ 35,743,843
Accounts Receivable	157,493	-
Prepaid Expenses	52,629	138,168
Accounts Payable	(205,410)	(328,878)
Tenant Rental Deposits	(74,719)	(180,633)
Assumed Mortgage at Fair Value	(14,799,914)	-
Net Assets Acquired	$ 12,419,884	$ 35,372,500
Consideration Paid, Funded By:		
Cash and Bank Indebtedness	$ 12,419,884	$ 35,372,500
	$ 12,419,884	$ 35,372,500

4. Investment Properties

	Retail and Commercial	Core Service Provider Office	Industrial	Multi-residential	Total
Balance, December 31, 2015	$ 57,459,961	$ 6,909,484	$ 57,405,995	$ 5,738,538	$ 127,513,978
Acquisitions	35,743,843	-	-	-	35,743,843
Dispositions	(1,767,500)	-	-	-	(1,767,500)
Capital Expenditures	241,179	33,328	226,456	19,586	520,549
Fair Value Adjustment	123,104	(430,971)	2,219,923	(30,857)	1,881,199
Balance, December 31, 2016	$ 91,800,587	$ 6,511,841	$ 59,852,374	$ 5,727,267	$ 163,892,069
Acquisitions	27,289,805	-	-	-	27,289,805
Dispositions	(1,168,300)	-	-	-	(1,168,300)
Capital Expenditures	463,081	7,009	644,338	103,479	1,217,907
Fair Value Adjustment	6,883,201	(288,167)	1,972,505	410,671	8,978,210
Balance, December 31, 2017	$ 125,268,374	$ 6,230,683	$ 62,469,217	$ 6,241,417	$ 200,209,691

For the year ended December 31, 2017, senior management of the Trust valued the Investment Properties using independent third party appraisals for the Brampton, Ontario; Pembroke, Ontario; and Mountain Road properties and the overall capitalization method for the remaining properties. 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.

During the year ended December 31, 2017, the Trust disposed of two properties and received gross proceeds of $2,068,500. Net of all selling costs, the Trust realized a gain of $846,541 from the sale of these properties.

Investment Properties measured at fair value are categorized by level according to the inputs used. The Trust has classified these inputs as Level 3. With the exception of the acquisition and dispositions of investment properties as further described in note 3 of these consolidated financial statements, 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, 2017	Retail & Commercial	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	5.0% - 7.25%	7.00%	6.50%	5.00%	6.42%
Weighted Average Capitalization	6.43%	7.00%	6.50%	5.00%	6.42%
NOI	$ 1,225,517	$ 436,148	$ 2,032,539	$ 312,071	$ 1,425,344

Year Ended December 31, 2016	Retail & Commercial	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	5.01% - 7.50%	7.00%	6.50% - 7.00%	5.50%	6.58%
Weighted Average Capitalization	6.51%	7.00%	6.74%	5.50%	6.58%
NOI	$ 1,019,929	$ 455,829	$ 2,017,384	$ 315,000	$ 1,338,263

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:

Weighted Average		Year Ended December 31, 2017 Increase/(Decrease) in Valuation
- Capitalization Rate	25 basis point increase	$ (7,203,000)
- Capitalization Rate	25 basis point decrease	6,637,000

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.

Assets Held For Sale: On January 13, 2016 and January 28, 2016, the Trust completed the sale of its interest in two unencumbered properties from the Centre Ice Retail Portfolio totaling 19,330 square feet to various third parties for gross proceeds of approximately $2.8 million. These consolidated financial statements carried these assets held for sale at their fair value which was approximately $1.8 million.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as at December 31, 2017 and as at December 31, 2016 were $3,305,248 and $3,791,372, respectively, and consist of the following:

	December 31, 2017	December 31, 2016
Professional Fees	$ 69,200	$ 73,932
Utilities, Repairs and Maintenance, Other	2,005,030	2,697,332
Due to Asset and Property Manager (notes 12(a) and 12(b))	346,553	239,796
Accrued Interest Expense	153,454	155,701
Option Liabilities (note 8(g))	731,011	624,611
Accounts Payable and Accrued Liabilities	$ 3,305,248	$ 3,791,372

6. Bank Indebtedness

On November 29, 2012, the Trust entered into a Revolving Operating Facility (the "Facility") with a Canadian Chartered Bank (the "Bank") fully secured by first charges against certain investment properties. The total amount available under the Facility was $8.0 million. On June 9, 2016, the Bank increased the total amount available under the Facility to $10.0 million and on November 20, 2017, the Bank further increased the total amount available under the Facility to $13.5 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 30, 2019. Bank Indebtedness as at December 31, 2017 and December 31, 2016 was $8,453,216 and $nil, respectively.

7. Mortgages

As at December 31, 2017, total outstanding mortgages were $96,323,127 ($84,119,727 as at December 31, 2016), (net of unamortized financing costs of $314,225 ($428,282 as at December 31, 2016)), offset by a $682,298 ($266,469 as at December 31, 2016) fair value adjustment with a weighted average interest rate of approximately 3.3% (3.1% as at December 31, 2016) and weighted average repayment term of approximately 3.3 years (3.6 years as at December 31, 2016). The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Period	Total Mortgages Payable	Scheduled Interest Payments
2018	$ 2,181,414	$23,624,564	$ 25,805,978	$ 2,735,600
2019	1,827,258	9,500,000	11,327,258	2,159,893
2020	1,472,394	17,326,664	18,799,058	1,625,470
2021	670,680	15,818,445	16,489,125	988,426
2022	579,064	2,095,582	2,674,646	822,825
Thereafter	1,576,643	19,282,346	20,858,989	1,808,078
Face Value	$ 8,307,453	$ 87,647,601	$ 95,955,054	$ 10,140,292
Unamortized Financing Costs			(314,225)	
Fair Value Adjustment on Assumed Mortgages			682,298	
Total Mortgages			$ 96,323,127	

	December 31, 2017	December 31, 2016
Current:		
Mortgages	$ 25,805,978	$ 3,882,398
Unamortized Financing Costs	(112,026)	(131,092)
Fair Value Adjustment on Assumed Mortgages	70,536	74,081
	$ 25,764,488	$ 3,825,387
Non-Current:		
Mortgages	$ 70,149,076	$ 80,399,142
Unamortized Financing Costs	(202,199)	(297,190)
Fair Value Adjustment on Assumed Mortgages	611,762	192,388
	$ 70,558,639	$ 80,294,340
Total Mortgages	$ 96,323,127	$ 84,119,727

On January 4, 2016, the Trust refinanced the first mortgages that encumbered the Centre Ice Retail Portfolio for one new first mortgage with a Canadian Chartered Bank. The $23.7 million first mortgage is a fixed 2.92% interest rate mortgage that matures on January 4, 2021. The Trust's pro-rata share of the new first mortgage is $16.6 million. As a result of the refinancing, the Trust received net cash proceeds of approximately $4.7 million.

On September 9, 2016, the Trust refinanced the first mortgage that encumbered one of the Montreal Industrial properties with a new first mortgage with a Canadian Chartered Bank. The $4.5 million first mortgage is a fixed 2.72% interest rate mortgage that matures on August 1, 2018. The Trust's pro-rata share of the new first mortgage is $2.25 million. As a result of the refinancing, the Trust received net cash proceeds of approximately $0.2 million.

On September 27, 2016, the Trust financed The Whitby Mall with a non-revolving senior secured term credit facility with a Canadian Chartered Bank. The $23.8 million first mortgage is a variable rate loan with an interest rate based on the Canadian Chartered Bank's prime lending rate or bankers acceptance rate plus a spread. The Trust's pro-rata share of the new first mortgage is $9.5 million. As a result of the financing, the Trust received net cash proceeds of approximately $9.5 million.

On November 30, 2017, the Trust assumed a $14.3 million ($14.8 million fair value) first mortgage as part of the Guelph Retail Portfolio acquisition. The mortgage has a 4.40% fixed interest rate, amortizes and matures on October 1, 2024 (note 3).

The following table sets out an analysis of net debt and the movements in net debt for the period ended December 31, 2017:

	Cash and Cash Equivalents	Mortgages	Net Debt
As at December 31, 2016	$ 615,352	$ (84,119,727)	$ (83,504,375)
Cash Flows	(8,326,706)	3,030,280	(5,296,426)
Non-cash Changes	(741,862)	(15,233,680)	(15,975,542)
As at December 31, 2017	$ (8,453,216)	$ (96,323,127)	$ (104,776,343)

8. Unitholders' Equity

(a) Issued and Outstanding

	Number of Units		Amount
Balance, December 31, 2015	11,427,076	$	57,648,489
Non-Brokered Private Placement (note 8(c))	951,634		5,709,804
Non-Brokered Private Placement (note 8(d))	238,900		1,433,400
Options Exercised (note 8(e))	25,000		125,000
Less: Issue Costs	-		(139,811)
Issuance of Units from Distribution Reinvestment Plan (note 8(h))	30,981		186,071
Balance, December 31, 2016	12,673,591		64,962,953
Non-Brokered Private Placement (note 8(f))	508,000		3,175,000
Options Exercised (note 8(e))	385,000		1,928,000
Less: Issue Costs	-		(111,477)
Issuance of Units from Distribution Reinvestment Plan (note 8(h))	27,021		169,544
Balance, December 31, 2017	13,593,612	$	70,124,020

(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 with respect to the timing and amount 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. On 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 July 28, 2016, the Trust completed a non-brokered private placement of Trust Units. 951,634

Trust Units were issued at a price of $6.00 per Trust Unit for gross proceeds of approximately $5.7 million.

(d) Non-Brokered Private Placement
On August 31, 2016, the Trust completed a non-brokered private placement of Trust Units. 238,900 Trust Units were issued at a price of $6.00 per Trust Unit for gross proceeds of approximately $1.4 million.

(e) Options Exercised
The following option exercises occurred during the year ended December 31, 2017 and December 31, 2016, respectively:

During the year ended December 31, 2017, 375,000 Trust unit options at a weighted average price of $5.00 per Trust Unit were exercised for gross proceeds of approximately $1.88 million and 10,000 Trust unit options were exercised at a weighted average price of $5.30 per Trust Unit for gross proceeds of approximately $0.05 million.

During the **year** ended December 31, 2016, 25,000 Trust unit options at a weighted average price of $5.00 per Trust Unit were exercised for gross proceeds of approximately $0.1 million.

(f) Non-Brokered Private Placement
On December 27, 2017, the Trust completed a non-brokered private placement of Trust Units. 508,000 Trust Units were issued at a price of $6.25 per Trust Unit for gross proceeds of approximately $3.2 million.

(g) 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, 2017, the Trust has 734,000 Trust unit options issued and outstanding consisting of the following issuances:

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. During the year ended December 31, 2017, 10,000 of these options were exercised (see note 8(e)) and 6,000 of these options were forfeited, leaving a balance of 269,000 options.

On August 15, 2016, the Trust granted 535,000 Trust unit options at a weighted average exercise price of $6.05 per Trust Unit. The unit options fully vested on the date of grant and expire on August 15, 2021. During the year ended December 31, 2017, 70,000 of these options were forfeited, leaving a balance of 465,000 options.

Unit-based compensation relate to the aforementioned unit options for the year ended December 31, 2017 stands at an expense of $106,400 ($238,627 for the year ended December 31, 2016). Unit-based compensation was determined using the Black-Scholes option pricing Model and based on the following assumptions:

	As at December 31, 2017	As at December 31, 2016
Expected Option Life (Years)	1.0	1.0
Risk Free Interest Rate	1.53%	0.63%
Distribution Yield	6.38%	7.33%
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, $0.25, $0.30 per unit option for the November 29, 2012, June 23, 2014, and August 15, 2016 issuances, respectively.

(h) 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, 2017 and December 31, 2016, 27,021 and 30,981 Trust Units were issued, respectively, from treasury for total gross proceeds of $169,544 and $186,071, respectively, to Unitholders who elected to receive their distributions under the DRIP.

(i) Distributions
For the year ended December 31, 2017, distributions of $0.036666 per unit were declared each month commencing in January, 2017 through to December, 2017, resulting in total distributions declared of $5,660,117. For the year ended December 31, 2016, distributions of $0.035 per unit were declared each month commencing in January, 2016 through to October, 2016 and $0.036666 per month for November, 2016 and December, 2016 resulting in total distributions declared of $5,094,760.

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:

Revenue	
Within one year	$ 12,163,208
Later than one year and not longer than five years	30,762,549
Thereafter	5,302,496
	$ 48,228,253

10. Finance Costs

Finance costs for the years ended December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	**December 31, 2016**
Mortgage Interest	$ 2,645,762	$ 2,286,328
Bank Indebtedness Interest	96,689	81,930
Finance Fee Amortization	352,220	216,696
Non-cash Interest Expense	(59,032)	(77,494)
Finance Costs	$ 3,035,639	$ 2,507,460

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, Ottawa Apartment Complex, Waterloo Industrial Portfolio and Guelph Retail Portfolio.

11. Property Operating and General and Administrative Expenses

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

Property operating and General and Administrative expenses for the years ended December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	**December 31, 2016**
Realty Taxes	$ 3,973,010	$ 3,408,237
Property Management Fees (note 12(b))	866,547	748,939
Operating Expenses	2,938,285	2,676,023
Property Operating Expenses	$ 7,777,842	$ 6,833,199

	December 31, 2017	**December 31, 2016**
Asset Management Fees (note 12(a))	$ 1,448,424	$ 1,118,162
Public Company Expenses	178,699	157,634
Office and General	371,757	308,852
General and Administrative	$ 1,998,880	$ 1,584,648

12. Related Party Transactions

Transactions with related parties are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(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 documents 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 coordinate advertising, promotional, marketing and related activities on behalf of the Trust.

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

i. Asset Management Fees: The Trust pays the following fees annually:

    I. 0.75% of the first $300 million of the Gross Book Value of the Properties; and
    II. 0.50% of the Gross Book Value of the Properties in excess of $300 million.

ii. Acquisition Fees: The Trust pays the following acquisition fees:

    I. 0.75% of the first $300 million of aggregate Gross Book Value in respect of new properties acquired in a particular year;
    II. 0.65% of the next $200 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.

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

iv. 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, 2017 and December 31, 2016, Asset Management Fees were $1,161,848 and $945,390; Acquisition Fees were $195,188 and $317,437; Placement Fees were $17,825 and $88,233 and Performance Incentive Fees were $286,575 and $172,772, respectively.

Asset Management and Performance Incentive Fees are recorded in General and 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, 2017, $286,575 ($172,772 as at December 31, 2016) 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 Management Corp. ("FCPMC"), formerly Firm Capital Properties Inc., 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, FCPMC 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, FCPMC 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 and 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 FCPMC leases a rental space on commercial terms, FCPMC 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, FCPMC shall be entitled to a 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 expenditures, including the cost of all permits, materials, labour, contracts, and 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 FCPMC 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 FCPMC is requested by the Trust to construct tenant improvements or to renovate same, or where FCPMC is requested by the Trust to construct, modify, or reconstruct improvements to, or on, the Properties (collectively, “Capital Expenditures”), FCPMC 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 exceeds $50,000.

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

For the years ended December 31, 2017 and December 31, 2016, Property Management Fees were $776,413 and $682,503 and Commercial Leasing Fees were $90,134 and $66,436, respectively.

As at December 31, 2017, $59,977 ($67,024 as at December 31, 2016) was due to FCPMC 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 year ended December 31, 2017, $22,320 ($22,320 for the year ended December 31, 2016) of base rent was paid on this lease.

(d) The Whitby Mall Acquisition

The co-owners of the Whitby Mall purchased from a member of senior management and the board of trustees of the Trust (“Original Purchaser”) their interest in The Whitby Mall for $750,000. The amount was negotiated between the potential Original Purchaser and a third party arms length to the Trust, prior to the Trust agreeing to participate in the acquisition and the Trust assumed this arrangement.

13. 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 legislation 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 it has met the REIT Conditions throughout the years ended December 31, 2017 and December 31, 2016. As a result, the REIT does not recognize any deferred income tax assets or liabilities for income tax purposes.

14. Key Management Personnel

Key management personnel include all senior management of the Trust employed by FCRPI and FCPMC and Trustees of the Trust. Management salaries are payable by FCRPI under the Asset Management Agreement as reflected in note 12(a).

15. Commitments and Contingencies

For the years ended December 31, 2017 and December 31, 2016, the Trust had no material commitments and contingencies other than those outlined in notes 12(a) and 12(b).

16. Capital Management

The Trust's objectives when managing capital are to safeguard its 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, 2017, and December 31, 2016, the ratio of such indebtedness to gross book value was 51.7% and 50.5%, 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, 2017 and December 31, 2016.

17. Risk Management and Fair Value of Financial Instruments

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

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 three 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, 2017**		**December 31, 2016**
Bank Indebtedness	$	84,532	$	-
Mortgages		173,289		268,061
	$	257,821	$	268,061

II. 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 a number of Canadian provinces and numerous tenants. The 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.

III. 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 currently 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, 2017 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)	$ 8,453,216	$ -	$ -	$ 8,453,216
Mortgages (note 7)	25,805,978	11,327,258	58,821,818	$ 95,955,054
Tenant Rental Deposits	219,256	74,595	833,384	1,127,235
Distribution Payable	498,423	-	-	498,423
Accounts Payable and Accrued Liabilities (note 5)	3,305,248	-	-	3,305,248
	$ 38,282,121	$ 11,401,853	$ 59,655,202	$ 109,339,176

The Trust has approximately $25.8 million of mortgages coming due during the year ended December 31, 2018. The Trust anticipates being able to refinance all mortgages through either refinancing or raising and/or issuing capital from alternative sources.

B. Fair Value of Financial Instruments:

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 and cash equivalents, restricted cash, accounts receivable, deposits, other assets, distribution payable, tenant rental deposits, and accounts payable and accrued liabilities approximates their carrying amounts due to the relatively short periods to maturity of these financial instruments. The carrying value of the Trust's financial instruments is summarized in the following table:

	December 31, 2017		December 31, 2016
	Loans and Receivables / Other Liabilities	FVTPL	
Financial Assets			
Accounts Receivable	$ 1,816,009	$ -	$ 1,850,498
Deposits and Other Assets	267,547	-	190,066
Retricted Cash	-	197,762	-
Cash & Cash Equivalents	-	-	615,352
Financial Liabilities			
Distribution Payable	$ 498,423	$ -	$ 464,690
Accounts Payable and Accrued Liabilities (except Option Liabilities)	2,574,037	-	3,166,761
Tenant Rental Deposits	1,127,235	-	966,415
Mortgages	96,323,127	-	84,119,727
Option Liabilities	-	731,011	624,611

I. Fair Value Hierarchy

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 is approximately $96.0 million.

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

18. Subsequent Events

(a) On January 15, 2018, the Trust distributed monthly cash distributions of $0.036666 per Trust Unit to Unitholders of record at the close of business on December 29, 2017. On February 15, 2018, and March 15, 2018, the Trust distributed monthly cash distributions of $0.038333 per Trust Unit to Unitholders of record at the close of business on January 31, 2018 and February 28, 2018, respectively.

(b) On February 1, 2018, the Trust closed an overnight marketed public offering of 2.1 million trust units of the Trust. The offered units which were issued at a price of $6.25 per offered unit for gross proceeds to the Trust of $13.1 million.

(c) On February 1, 2018, the Trust closed a non-brokered private placement whereby 370,000 trust units of the Trust were issued at a price of $6.25 per unit for gross proceeds of $2.3 million.

(d) On March 21, 2018, the Trust announced that it has declared and approved monthly distributions in the amount of $0.038333 per Trust Unit for Unitholders of record on April 30, 2018, May 31, 2018 and June 29, 2018 payable on or about May 15, 2018, June 15, 2018 and July 16, 2018.