FIRM CAPITAL PROPERTY TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 2020

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Firm Capital Property Trust,

Opinion

We have audited the consolidated financial statements of Firm Capital Property Trust (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2020 and December 31, 2019
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated balance sheets of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2020".

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

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

We obtained the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2020" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Saqib Jawed.

Toronto, Canada

March 11, 2021

FIRM CAPITAL PROPERTY TRUST

Consolidated Balance Sheets

	Notes		December 31, 2020		December 31, 2019
Assets					
Non-current Assets:					
Investment Properties	4	$	449,427,393	$	457,777,717
Current Assets:					
Accounts Receivable			2,959,845		2,782,608
Prepaid Expenses, Deposits and Other Assets			2,200,191		1,674,436
Restricted Cash			204,188		192,438
Cash and Cash Equivalents			5,685,951		12,746,594
Assets Held For Sale	4		20,043,100		-
Total Current Assets			31,093,275		17,396,076
Total Assets		$	480,520,668	$	475,173,793
Liabilities and Unitholders' Equity					
Current Liabilities:					
Mortgages	7(a)		18,315,337		51,998,471
Bank Indebtedness	6		20,538,051		-
Accounts Payable and Accrued Liabilities	5		5,853,899		6,383,961
Land Lease Liability	7(b)		34,432		32,366
Distribution Payable			1,222,914		1,225,775
Tenant Rental Deposits			336,537		377,543
Total Current Liabilities			46,301,171		60,018,116
Non-current Liabilities:					
Mortgages	7(a)		209,204,285		184,646,907
Land Lease Liability	7(b)		258,110		292,714
Tenant Rental Deposits			1,305,148		1,176,981
Total Non-current Liabilities			210,767,543		186,116,602
Total Liabilities			257,068,714		246,134,718
Unitholders' Equity	8		223,451,954		229,039,075
Total Liabilities and Unitholders' Equity		$	480,520,668	$	475,173,793
Commitments and Contingencies	16				
Subsequent Events	20				

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, 2020 and December 31, 2019

	Notes		December 31, 2020		December 31, 2019
Net Operating Income					
Rental Revenue	9	$	44,536,342	$	36,155,762
Property Operating Expenses	11		(15,999,734)		(13,164,961)
		$	28,536,608	$	22,990,801
Interest and Other Income			51,962		96,101
Expenses:					
Finance Costs	10		8,395,027		7,795,898
General and Administrative	11		4,216,820		3,483,534
			12,611,847		11,279,432
Income Before Fair Value Adjustments		$	15,976,723		11,807,470
Fair Value Adjustments:					
Investment Properties	4		(582,302)		24,278,714
Gain on Sale of Investment Properties	4		9,097		349,872
Unit-based Compensation Recovery/(Expense)	8(k)		427,609		(714,660)
Net Income and Comprehensive Income		$	15,831,127	$	35,721,396

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statements of Changes in Unitholders' Equity
For the Years Ended December 31, 2020 and December 31, 2019

	Notes	Trust Units (Note 8)	Retained Earnings	Unitholders' Equity
Unitholders' Equity, December 31, 2018		$ 93,333,539	$ 31,114,070	$ 124,447,609
Options Exercised	8(c)	1,234,900	-	1,234,900
Issuance of Units, Net of Issuance Costs	8(a)	79,405,673	-	79,405,673
Issuance of Units from Distribution Reinvestment Plan	8(l)	55,150	-	55,150
Net Income		-	35,721,396	35,721,396
Distributions	8(m)	-	(11,825,653)	(11,825,653)
Unitholders' Equity, December 31, 2019		$ 174,029,262	$ 55,009,813	$ 229,039,075
Issuance Costs		(147,331)	-	(147,331)
Normal Course Issuer Bid	8(i)	(4,146,879)	-	(4,146,879)
Redemption	8(j)	(2,115,000)	-	(2,115,000)
Issuance of Units from Distribution Reinvestment Plan	8(l)	3,050	-	3,050
Net Income		-	15,831,127	15,831,127
Distributions	8(m)	-	(15,012,088)	(15,012,088)
Unitholders' Equity, December 31, 2020		$ 167,623,102	$ 55,828,852	$ 223,451,954
Trust Units Outstanding	8(a)			29,349,694

See accompanying Notes to Consolidated Financial Statements.

FIRM CAPITAL PROPERTY TRUST

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and December 31, 2019

	Notes	December 31, 2020	December 31, 2019
Cash Flows from (used in) Operating Activities			
Net Income		$ 15,831,127	$ 35,721,396
Fair Value Adjustments:			
Investment Properties	4	582,302	(24,278,714)
Gain on Sale of Investment Properties	4	(9,097)	(349,872)
Unit-Based Compensation Expense/(Recovery)	8(k)	(427,609)	714,660
Finance Costs, Net of Interest and Other Income		8,278,210	7,699,798
Finance Fee Amortization	10	343,273	394,588
Non-cash Interest Expense	10	(278,418)	(35,155)
Land Lease Amortization	7(b)	68,502	-
Straight-line Rent Adjustment	9	(481,186)	(458,581)
Free Rent, Net of Amortization	9	87,830	65,325
Change in Non-Cash Operating Working Capital:			
Accounts Receivable		(656,389)	(863,811)
Prepaid Expenses, Deposits and Other Assets		(524,346)	393,223
Restricted Cash		(11,750)	18,407
Accounts Payable and Accrued Liabilities	5	(526,887)	3,483,087
Tenant Rental Deposits		48,493	(24,191)
		$ 22,324,059	$ 22,480,162
Cash Flows from (used in) Financing Activities			
Issuance of Units, Net of Issuance Costs	8	(144,281)	80,640,573
Normal Course Issuer Bid	8(i)	(4,146,879)	-
Redemption	8(j)	(2,115,000)	-
Mortgages, Repayments	7(a)	(53,440,610)	(6,206,024)
Mortgages, Issuances	7(a)	44,250,000	107,187,930
Bank Indebtedness	6	20,538,051	-
Finance Costs Paid		(477,429)	(1,167,476)
Cash Interest Paid, Net of Other Income		(8,286,470)	(7,092,760)
Cash Distributions Paid		(15,014,949)	(11,217,187)
		$ (18,837,566)	$ 162,145,055
Cash Flows from (used in) Investing Activities			
Net Proceeds From Sale of Investment Properties	4	43,120	4,248,523
Acquisitions and Capital Expenditures	3,4	(10,590,258)	(179,542,222)
		$ (10,547,138)	$ (175,293,699)
Increase/(Decrease) in Cash and Cash Equivalents		(7,060,643)	9,331,519
Cash and Cash Equivalents, Beginning of Period		12,746,594	3,415,075
Cash and Cash Equivalents, End of Period		$ 5,685,951	$ 12,746,594

See accompanying Notes to Consolidated Financial Statements

1. The Trust

Firm Capital Property Trust (the ‘‘Trust’’) 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 11, 2021.

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries. The financial statements of the subsidiary which include Firm Capital Property Limited Partnership, 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 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 as presented in these consolidated financial statements unless otherwise indicated. Standards issued and adopted for the period are described in note 2(p).

(d) Co-Ownership Arrangement

The Trust currently is a co-owner in ten joint arrangements. 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. The co-ownership schedule is outlined below:

Investment Properties	Joint Arrangement Interest
Centre Ice Retail Portfolio	70%
Waterloo Industrial Portfolio	70%
Montreal Industrial Portfolio	50%
Edmonton Industrial Portfolio	50%
Ottawa Apartment Complex	50%
Crombie Retail Portfolio	50%
FCR Retail Portfolio	50%
Gateway Retail Portfolio	50%
The Whitby Mall	40%
Thickson Place	40%

Certain Trustees and Officers of the Trust directly and/or indirectly have interests in certain of these Joint Arrangements.

(e) Restricted Cash
The Trust holds a restricted cash balance which relates to an escrow account for property tax 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 estimated fair value of the investment properties based on the overall capitalization method. 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 capitalized 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) Assets Held for Sale
An investment property is classified as held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable, generally within one year. Upon designation as held for sale, the investment property continues to be measured at fair value and is presented separately on the consolidated balance sheets.

(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 Trust has a unit option plan as outlined in note 8(k), granted to senior management and the Board of Trustees of the Trust, which provides holders with the right to receive Units, which are puttable by the holder to the Trust. The unit option plan is accounted for as cash-settled award and the Trust 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 financial 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 interest income from its cash and recognizes this income when earned.

The Trust enters as a lessor into lease agreements that fall within the scope of IFRS 16, "Leases" ("IFRS 16") which are classified as operating leases. The Trust's revenues are earned from lease contracts with tenants and include both a lease component and a non-lease component. The Trust recognizes revenue from lease components on a straight-line basis over the lease term, including the recovery of property tax and insurance, and is included in revenue in the consolidated statements of income due to its operating nature, except for contingent rental income which is recognized when it arises. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually due from the tenant.

The lease agreements include certain services offered to tenants such as cleaning, utilities, security, landscaping, snow removal, property maintenance costs, as well as other support services. The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. The Trust has determined that these services constitute a distinct non-lease component (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15, "Revenue from Contracts with Customers". These property management services are considered one performance obligation, meeting the criteria for over time recognition and are recognized in the period that recoverable costs are incurred, or services are performed.

(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 of 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 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.

(m) 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.

On January 30, 2020, the World Health Organization declared COVID-19 outbreak a global health emergency. The governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency and enacted measures to contain the spread of the virus. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, temporary business closures, quarantines, a general reduction in commercial activity due to reduced consumer spending related to job loss and other adverse economic effects attributable to COVID-19. Given the unprecedented and pervasive impact of changing circumstances surrounding COVID-19, there is inherently greater uncertainty related to the Trust's future operating assumptions as compared to the prior periods.

The duration of the business disruption due to government lockdown orders and their related financial impact cannot be reasonably estimated at this time and may be instituted, terminated and re-instituted from time to time due as the COVID-19 outbreak worsens or waves of COVID outbreaks may occur.

In the near-term, there have been no material signs of deterioration in the Trust's operations as a result of COVID-19.

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 – In applying the Trust's policy with respect to investment properties, estimates and assumptions are required to determine the valuation of investment properties under the fair value model. The estimates used when determining the fair value of investment properties are capitalization rates and stabilized net operating income. 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.

Land Lease Liability – The Trust has a land lease on a retail property located in Ottawa, Ontario. The land lease liability is calculated in accordance with IFRS 16 using a present value of the lease, discounted using an interest rate that represents the borrowing rate of the lease. The critical estimates and assumptions underlying the land lease liability 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(i). The critical judgments inherent in these policies relate to applying the criteria set out in IFRS 9, "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.

(o) Financial Instruments

IFRS 9 addresses the classification and measurement of financial assets and liabilities and introduces new rules for hedge accounting. IFRS 9 also includes a new impairment model based on an expected loss model which may result in earlier recognition of credit losses.

The Trust recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value plus or minus directly attributable transaction costs when a financial asset or financial liability is not recognized at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement depends on the initial classification of the financial asset or financial liability.

The classification of financial assets depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:

- amortized cost
- fair value through other comprehensive income (“FVOCI”)
- fair value through profit or loss (“FVTPL”)

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

	Notes	Classification
Assets		
Accounts Receivable		Amortized cost
Deposits and Other Assets		Amortized cost
Restricted Cash		Amortized cost
Cash and Cash Equivalents		Amortized cost
Liabilities		
Distribution Payable		Amortized cost
Bank Indebtedness	6	Amortized cost
Accounts Payable and Accrued Liabilities	5	Amortized cost
Tenant Rental Deposits		Amortized cost
Mortgages	7(a)	Amortized cost
Land Lease Liability	7(b)	Amortized cost
Unit Based Option Liabilities	8(k)	FVTPL

IFRS 9 also outlines a forward looking "expected credit loss" (ECL) model. For trade receivables, the Trust applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure ECL's related to trade receivables, includes assessing credit risk characteristics and the days past due. The Trust has concluded that there was no significant impact to financial assets in connection with the ECL model under IFRS 9.

(p) Accounting Standards Implemented in 2020

i. Amendments to IFRS 3, Business Combinations. The IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. The Trust adopted the amendments to IFRS 3 on January 1, 2020 and the amendments did not have an impact on the consolidated financial statements.

ii. Amendments to Reference to the Conceptual Framework in IFRS Standards. On March 29, 2018 the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. The Trust adopted the amendments in its consolidated financial statements for the period beginning on January 1, 2020. The amendments do not have a material impact on the consolidated financial statements.

iii. Definition of Material (Amendments to IAS 1 and IAS 8). On October 31, 2018, the IASB refined its definition of material and removed the definition of material omission or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted. The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Trust adopted the amendments to IAS 1 and IAS 8 in its consolidated financial statements for the period beginning on January 1, 2020. The amendments do not have a material impact on the consolidated financial statements.

3. Acquisition of Investment Properties

On January 4, 2019, the Trust closed on an acquisition of a 100% interest in a 69 unit multi-residential property located in Dartmouth, Nova Scotia. The acquisition price for the property was $11,190,100 (including transaction costs). In addition, accounts receivable of $38,986, net of tenant rental deposits of $34,453 were assumed as part of the acquisition. The Trust also assumed a $7,060,283 first mortgage as part of the acquisition.

On February 5, 2019, the Trust closed on an acquisition of a 50% interest in a seven retail property portfolio (the “Crombie Retail Portfolio”). The properties are located in Alberta, Nova Scotia, Saskatchewan, Ontario and Quebec. The acquisition price for the Trust’s portion of the portfolio was $42,409,350 (including transaction costs). In addition, accounts receivable of $1,500, prepaid expenses of $124,568 were assumed. The Trust also assumed $6,408,687 of first mortgages on two of the properties as part of the acquisition. The Trust also financed five new mortgages totaling $20,975,000 and supplemented one assumed mortgage by $1,026,126 as part of the acquisition.

On May 9, 2019, the Trust closed on an acquisition of a 50% interest in a six retail property portfolio (the “FCR Retail Portfolio”). The acquisition price for the Trust’s portion of the portfolio was $136,917,443 (including transaction costs). In addition, accounts receivable of $43,211, prepaid expenses of $488,424, net of tenant rental deposits of $226,818 and land lease of $312,530 were assumed as part of the acquisition. The Trust also assumed $30,369,904 of first mortgages on four of the properties as part of the acquisition. The Trust also financed one new mortgage totaling $52,850,000 and a vendor take back loan of $9,600,000 as part of this acquisition.

On July 9, 2019, the Trust closed on an acquisition of a 50% interest in a grocery-anchored shopping centre located in St. Albert, Alberta. The acquisition price for the Trust’s portion of the portfolio was $23,482,521 (including transaction costs). In addition, accounts receivable of $9,856, prepaid expenses of $2,934, net of accounts payable of $24,988 and tenant rental deposits of $37,484 were assumed as part of the acquisition. The Trust also financed a new mortgage of $15,500,000 as part of this acquisition.

On October 29, 2019, the Trust closed on an acquisition of a 50% interest in two industrial properties located in Edmonton, Alberta. The acquisition price for the Trust’s portion of the portfolio was $5,757,885 (including transaction costs). In addition, accounts receivable of $1,257, prepaid expenses of $1,183, net of accounts payable of $506 and tenant rental deposits of $110,381 were assumed as part of the acquisition.

On March 18, 2020, the Trust closed on an acquisition of a 50% interest in two industrial properties located in Edmonton and Leduc, Alberta. The acquisition price for the Trust's portion of the portfolio was $5,421,503 (including transaction costs). In addition, accounts receivable of $2,034, prepaid expenses of $1,413, net of accounts payable of $21,797 and tenant rental deposits of $38,668 were assumed as part of the acquisition.

The above noted 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, 2020	Year Ended December 31, 2019
Investment Properties, including Acquisition Costs	$ 5,421,503	$ 219,757,300
Accounts Receivable	2,034	94,811
Prepaid Expenses	1,413	611,240
Accounts Payable	(21,797)	(25,494)
Tenant Rental Deposits	(38,668)	(409,136)
Assumed Land Lease at Fair Value	-	(312,530)
Assumed Mortgages at Fair Value	-	(43,838,874)
Net Assets Acquired	$ 5,364,485	$ 175,877,317
Consideration Paid, Funded By:		
Cash and Bank Indebtedness	$ 5,364,485	$ 76,580,363
Vendor Take Back Loan (1)	-	9,600,000
New Mortgages, net of financing costs	-	89,696,953
	$ 5,364,485	$ 175,877,317

(1) Vendor Take Back Loan is included in mortgages payable (note 7a)

4. Investment Properties

	Retail and Commercial	Core Service Provider Office	Industrial	Multi-residential	Total
Balance, December 31, 2018	$ 125,166,617	$ 6,060,837	$ 75,401,004	$ 6,262,027	$ 212,890,480
Acquisitions	202,809,315	-	5,757,885	11,190,100	219,757,300
Dispositions	(2,709,000)	-	(104,682)	-	(2,813,682)
Capital Expenditures	1,342,043	58,553	2,125,422	138,883	3,664,905
Fair Value Adjustment	9,683,396	(779,790)	14,558,375	816,737	24,278,714
Balance, December 31, 2019	$ 336,292,371	$ 5,339,600	$ 97,738,004	$ 18,407,747	$ 457,777,717
Acquisitions	-	-	5,421,503	-	5,421,503
Dispositions	-	-	(34,024)	-	(34,024)
Capital Expenditures	3,421,758	65,000	1,624,443	114,572	5,225,772
Straight-line Rents	1,404,891	1,425	255,512	-	1,661,828
Transfers	(20,043,100)	-	-	-	(20,043,100)
Fair Value Adjustment	(8,436,436)	(73,749)	6,421,704	1,506,178	(582,302)
Balance, December 31, 2020	$ 312,639,484	$ 5,332,276	$ 111,427,142	$ 20,028,497	$ 449,427,393

For the year ended December 31, 2020, senior management of the Trust valued the Investment Properties using the overall capitalization method and independent third party appraisals. 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.

Properties are typically independently appraised at the time of acquisition or refinancing. When an independent appraisal is obtained, the Trust assesses all major inputs used by the independent valuators in preparing their reports and holds discussions with them on the reasonableness of their assumptions. The reports are then used by the Trust for consideration in preparing the valuations as reported in these consolidated financial statements.

Capitalization rates used in the valuation of investment properties as of December 31, 2020 are based on current market data available and have been adjusted for our enclosed mall and non-anchored retail portfolio to reflect market uncertainty related to COVID-19. Given the uncertainty around the duration of COVID-19 and the potential negative impact it may have on the real estate industry, it is not possible to predict the impact of capitalization rates in the future across all of our investment properties at this time.

The Trust continues to review its cash flow projections, liquidity and the fair value of its real estate portfolio in these challenging times. Capitalization rates could change materially as additional market data becomes available. As such, significant changes in assumptions concerning rental income, occupancy rates, tenant inducements and future market rents could negatively impact future real estate valuations and the Trust's overall operations as COVID-19 pandemic continues.

The properties independently appraised each year represent a subset of the property types and geographic distribution of the overall portfolio. For the year ended December 31, 2020, approximately 10% of the portfolio has been independently appraised (31% as at December 31, 2019). A breakdown of the aggregate fair value of investment properties independently appraised each quarter, in accordance with the Trust's policy, is as follows:

			2020			2019
	Number of investment properties	**Fair value at 100%**	**Fair value at Trust's share**	**Number of investment properties**	**Fair value at 100%**	**Fair value at Trust's share**
Q1	-	-	-	-	-	-
Q2	2	14,465,000	14,465,000	1	9,300,000	9,300,000
Q3	3	29,820,000	29,820,000	-	-	-
Q4	-	-	-	14	229,330,000	131,902,000
Total	**5**	**$ 44,285,000**	**$ 44,285,000**	**15**	**$ 238,630,000**	**$ 141,202,000**

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 well as transfers into assets held for sale as further described in note 4 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:

December 31, 2020	Retail & Commercial	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	4.16% - 7.75%	7.00%	5.25% - 7.00%	5.00%-5.10%	6.02%
Weighted Average Capitalization Rate	6.24%	7.00%	5.54%	5.06%	6.02%

December 31, 2019	Retail & Commercial	Core Service Provider Office	Industrial	Multi-Residential	Weighted Average
Capitalization Rate Range	5.00% - 7.25%	7.00%	5.54% - 7.00%	5.00%-5.30%	6.09%
Weighted Average Capitalization Rate	6.19%	7.00%	5.90%	5.18%	6.09%

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:

			December 31, 2020
Weighted Average			**Increase/(Decrease) in Valuation**
- Capitalization Rate	25 basis point increase	$	(17,894,000)
- Capitalization Rate	25 basis point decrease		19,444,000

Generally, an increase in stabilized 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: The Trust has entered into purchase and sale agreements for thirteen assets from the Centre Ice Retail Portfolio with gross proceeds of approximately $28.6 million. These consolidated financial statements carry these properties as an asset held for sale at its fair market value as at December 31, 2020 for approximately $20.0 million at its proportionate consolidated basis ($nil as of December 31, 2019).

Gain On Sale of Investment Properties: On April 30, 2019, the Trust completed the sale of an interest in one property from the Centre Ice Retail Porfolio to a third party for gross proceeds of approximately $2.3 million ($2.2 million net of closing costs). The Trust's 70% pro-rata share of the gross proceeds is $1.5 million ($1.4 million net of closing costs). The Trust recognized a gain on sale of approximately $0.1 million.

On October 31, 2019, the Trust completed the sale of its interest in one property from the Centre Ice Retail Portfolio with gross proceeds of approximately $4.0 million ($3.9 million net of closing costs). The Trust's pro-rata share of the gross proceeds is $2.8 million ($2.7 million net of closing costs). The Trust recognized a gain on sale of approximately $0.2 million.

On December 6, 2019, the Trust completed the sale of its interest in a portion of land from the Waterloo Industrial Portfolio with gross proceeds of approximately $0.3 million. The Trust's pro-rata share of the gross proceeds is $0.2 million. The Trust recognized a gain on sale of approximately $0.1 million.

On June 30, 2020, the Trust completed the sale of its interest in a portion of land from the Waterloo Industrial Portfolio with gross proceeds of approximately $0.06 million. The Trust's pro-rata share of the gross proceeds is $0.04 million. The Trust recognized a gain on sale of approximately $0.01 million.

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as at December 31, 2020 and as at December 31, 2019 were $5,853,899 and $6,383,961, respectively, and consist of the following:

	December 31, 2020	December 31, 2019
Utilities, Repairs and Maintenance, Other	4,199,074	4,386,700
Due to Asset and Property Manager (notes 12(a) and 12(b))	533,058	421,643
Accrued Interest Expense	376,541	402,784
Option Liabilities (note 8(k))	745,226	1,172,835
Accounts Payable and Accrued Liabilities	$ 5,853,899	$ 6,383,961

6. Bank Indebtedness

(a) Revolving Operating Facility

The Trust has entered into a Revolving Operating Facility (the “Facility”) with a Canadian Chartered Bank (the “Bank”) fully secured by first charges against certain investment properties. On December 31, 2020, the total amount available under the Facility was $22.0 million. The interest rate is based on a calculated formula using the Bank’s prime lending rate. Amounts drawn under the Facility are due to be repaid at the maturity date on October 31, 2022. Amounts drawn under the Facility as at December 31, 2020 and December 31, 2019 were $2,038,051 and $nil, respectively.

(b) Line of Credit

The Trust has entered into a Line of Credit (the “LOC”) with a Canadian Chartered Bank (the “Bank”) fully secured by first charges against the Merivale Mall Property. On December 31, 2020, the total amount available under the LOC was $22.0 million. The interest rate is based on a calculated formula using the Bank’s prime lending rate. Amounts drawn under the Facility are due to be repaid at the maturity date on November 30, 2025. Amounts drawn under the LOC as at December 31, 2020 and December 31, 2019 was $18,500,000 and $nil, respectively.

7. Non-current Liabilities

(a) Mortgages

As at December 31, 2020, total outstanding mortgages were $227,519,622 ($236,645,378 as at December 31, 2019), net of unamortized financing costs of $1,303,922 ($996,831 as at December 31, 2019), offset by a $545,996 ($786,600 as at December 31, 2019) mark to market adjustment with a weighted average interest rate of approximately 3.4% (3.5% as at December 31, 2019) and weighted average repayment term of approximately 3.9 years (4.0 years as at December 31, 2019). The mortgages are repayable as follows:

	Scheduled Principal Repayments	Debt Maturing During The Year	Total Mortgages Payable	Scheduled Interest Payments
2021	5,432,903	13,194,111	18,627,014	7,188,003
2022	5,902,511	6,268,275	12,170,786	6,811,360
2023	5,120,438	48,413,617	53,534,055	5,840,692
2024	2,593,251	87,293,847	89,887,098	2,975,981
2025	1,513,699	12,095,829	13,609,528	1,565,683
Thereafter	3,544,128	36,904,937	40,449,066	5,140,098
Face Value	24,106,931	204,170,616	$ 228,277,548	29,521,817
Unamortized Financing Costs			(1,303,922)	
Mark to Market on Assumed Mortgages			545,996	
Total Mortgages			$ 227,519,622	

	December 31, 2020	December 31, 2019
Current:		
Mortgages	$ 18,627,014	$ 52,017,468
Unamortized Financing Costs	(485,287)	(111,829)
Mark to Market on Assumed Mortgages	173,609	92,833
	18,315,337	51,998,471
Non-Current:		
Mortgages	209,650,534	184,838,141
Unamortized Financing Costs	(818,635)	(885,001)
Mark to Market on Assumed Mortgages	372,387	693,767
	209,204,285	184,646,907
Total Mortgages	$ 227,519,622	$ 236,645,378

The following table sets out an analysis of net debt and the movements in net debt for the year ended December 31, 2020:

	Cash and Cash Equivalents	Mortgages	Net Debt
As at December 31, 2019	$ 12,746,594	$ (236,645,378)	$ (223,898,784)
Cash Flows	(5,389,768)	9,190,610	3,800,842
Non-cash Changes	(1,670,875)	(64,854)	(1,735,729)
As at December 31, 2020	$ 5,685,951	$ (227,519,622)	$ (221,833,671)

(b) Land Lease Liability

On May 9, 2019, as part of the FCR Retail Portfolio acquisition as further disclosed in Note 3 of these condensed consolidated interim financial statements, the joint arrangement assumed a land lease on a retail property located in Ottawa, Ontario. The terms of the land lease are gross annual payments of $101,040 per annum that mature on April 1, 2027. The land lease liability is calculated in accordance with IFRS 16, using a present value of the remaining lease payments, discounted using the incremental borrowing rate at May 9, 2019 of 6.25% for the term of the lease. The Trust's pro-rata portion of the lease liability is as follows:

Lease Liability

	Opening Balance	Lease Payment	Imputed Interest Expense	Ending Balance
2021	292,542	(50,520)	16,088	258,110
2022	258,110	(50,520)	13,936	221,526
2023	221,526	(50,520)	11,650	182,655
2024	182,655	(50,520)	9,220	141,355
2025	141,355	(50,520)	6,639	97,474
Thereafter	97,474	(96,629)	5,022	5,866

		December 31, 2020
Current	$	34,432
Non-Current		258,110
Total	$	292,542

8. Unitholders' Equity

(a) Issued and Outstanding

	Number of Units	Amount
Balance, December 31, 2018	17,542,563	93,333,539
Options Exercised (note 8(c))	233,000	1,234,900
Non-brokered Private Placement (note 8(d))	1,355,726	8,676,640
Public Equity Offering (note 8(e))	4,421,145	28,295,328
Non-brokered Private Placement (note 8(f))	2,696,252	17,256,013
Non-brokered Private Placement (note 8(g))	937,500	6,000,000
Public Equity Offering (note 8(h))	3,450,000	23,287,500
Less: Issuance Costs	-	(4,109,807)
Issuance of Units from Distribution Reinvestment Plan (note 8(l))	8,199	55,150
Balance, December 31, 2019	30,644,385	174,029,265
Normal Course Issuer Bid (note 8(i))	(795,200)	(4,146,879)
Redemption (note 8(j))	(500,000)	(2,115,000)
Less: Issuance Costs	-	(147,331)
Issuance of Units from Distribution Reinvestment Plan (note 8(l))	509	3,050
Balance, December 31, 2020	29,349,694	167,623,102

(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) Options Exercised
During the year ended December 31, 2019, 233,000 Trust unit options at a weighted average price of $5.30 per Trust Unit were exercised for gross proceeds of approximately $1.2 million. Nil options were exercised in 2020.

(d) Non-Brokered Private Placement
On March 28, 2019, the Trust completed a non-brokered private placement of Trust Units. 1,355,726 Trust Units were issued at a price of $6.40 per Trust Unit for gross proceeds of approximately $8.7 million.

(e) Public Equity Offering
On April 24, 2019, the Trust completed a public equity offering of Trust Units. 4,100,000 Trust Units were issued at a price of $6.40 per Trust Unit for gross proceeds of approximately $26.2 million. In addition on April 30, 2019, as part of an overallotment option, the Trust closed an additional 321,145 Trust Units at a price of $6.40 per Trust Unit for aggregate gross proceeds of approximately $2.1 million.

(f) Non-Brokered Private Placement
On April 24, 2019, the Trust completed a non-brokered private placement of Trust Units. 2,461,877 Trust Units were issued at a price of $6.40 per Trust Unit for gross proceeds of approximately $15.8 million. On May 1, 2019, the Trust closed an additional 234,375 Trust Units at a price of $6.40 per Trust Unit for aggregate gross proceeds of approximately $1.5 million as part of the non-brokered private placement.

(g) Non-Brokered Private Placement
On October 29, 2019, the Trust completed a non-brokered private placement of Trust Units. 203,125 Trust Units were issued at a price of $6.40 per Trust Unit for gross proceeds of approximately $1.3 million. On November 21, 2019, the Trust closed an additional 734,375 Trust Units at a price of $6.40 per Trust Unit for aggregate gross proceeds of approximately $4.7 million as part of the non-brokered private placement.

(h) Public Equity Offering
On December 18, 2019, the Trust completed a public equity offering of Trust Units. 3,450,000 Trust Units were issued at a price of $6.75 per Trust Unit for gross proceeds of approximately $23.3 million.

(i) Normal Course Issuer Bid
On April 3, 2020, the Trust received approval from the TSXV to commence a Normal Course Issuer Bid ("NCIB") to purchase up to 2,829,746 Trust Units, being equal to 10% of the public float. The bid commenced on April 8, 2020 and ends on the earlier of April 7, 2021, or at such time as the NCIB has been completed or terminated at the Trust's discretion. As at December 31, 2020, the Trust repurchased 795,200 Trust Units for cancellation through its NCIB for gross proceeds of approximately $4.1 million.

(j) Redemption
On July 29, 2020, a unitholder redeemed 500,000 Trust Units for $4.23 per Trust Unit for gross proceeds of approximately $2.1 million.

(k) 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, 2020, the Trust has 2,825,000 Trust Unit options issued and outstanding consisting of the following issuances:

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. The balance as at December 31, 2020 was 465,000 Trust unit options.

On March 26, 2018, the Trust granted 600,000 Trust Unit options at a weighted average exercise price of $6.25 per Trust Unit. 525,000 unit options fully vested on the date of the grant with the remaining 75,000 vesting at one-third each year for the next three years and expire on March 26, 2023. The balance as at December 31, 2020 was 530,000 Trust unit options.

On November 8, 2018, the Trust granted 60,000 Trust Unit options at a weighted average exercise price of $6.35 per Trust Unit. The unit options fully vested on the date of grant and expire on November 8, 2023. The balance as at December 31, 2020 was 60,000 Trust unit options.

On August 14, 2019, the Trust granted 1,400,000 Trust Unit options at a weighted average exercise price of $6.40 per Trust Unit. 1,290,000 unit options fully vested on the date of the grant with the remaining 110,000 vesting at one-third each year for the next three years and expire on August 14, 2024. The balance as at December 31, 2020 was 1,370,000 Trust unit options.

On December 1, 2020, the Trust granted 400,000 Trust Unit options at a weighted average exercise price of $6.75 per Trust Unit. 360,000 unit options fully vested on the date of the grant with the remaining 40,000 vesting at one-third each year for the next three years and expire on December 1, 2025. The balance as at December 31, 2020 was 400,000 Trust unit options.

Unit-based compensation related to the aforementioned unit options stands at a recovery of

$427,609 for the year ended December 31, 2020 ($714,660 expense for the year ended December 31, 2019). Unit-based compensation was determined using the Black-Scholes option pricing model and based on the following assumptions:

	As at December 31, 2020	As at December 31, 2019
Expected Option Life (Years)	1.0	1.0
Risk Free Interest Rate	0.17%	1.65%
Distribution Yield	7.96%	7.11%
Expected Volatility	20.00%	20.00%

Expected volatility is based in part on the historical volatility of the Trust Units consistent with the expected life of the option. 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 estimated fair value of an option under the Trust's unit option plan at the date of grant was $0.49, $0.40, $0.36, $0.34 and $0.16 per unit option for the August 15, 2016, March 26, 2018, November 8, 2018, August 14, 2019 and December 1, 2020 issuances, respectively.

(l) 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, 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, 2020 and December 31, 2019, 509 and 8,199 Trust Units were issued, respectively, from treasury for total gross proceeds of $3,050 and $55,150, respectively, to Unitholders who elected to receive their distributions but received units under the DRIP.

(m) Distributions

For the year ended December 31, 2020, distributions of $0.041667 per unit were declared each month commencing in January 2020 through to December 2020, resulting in total distributions declared of $15,012,088. For the year ended December 31, 2019, distributions of $0.04 per unit were declared each month commencing in January 2019 through to December 2019 resulting in total distributions declared of $11,825,653.

9. Rental 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 (subject to collection) is as follows:

Revenue		
Within one year	$	25,595,140
Later than one year and not longer than five years		71,512,875
Thereafter		21,194,202
	$	118,302,216

The Trust has received funding under the Canada Emergency Commercial Rent Assistance Program (CECRA) program with certain tenants being qualified recipients. As such, for all qualified tenants under the CECRA program, 100% of their total rents for the period they qualified for under this program have been included in the rental revenue and trade receivables and a portion of the receivable balance has been provided for through the IFRS 9 expected credit loss adjustment. The CECRA funding amounts of $1,042,039 has been applied against the expected credit loss to arrive at the impairment allowance and $421,379 has been recorded as a bad debt expense included in property operating expenses and written-off.

During the year the Trust has negotiated rental abatements and amendments with some of its tenants that were not eligible for CECRA relief. In the cases where rents were deferred but not forgiven, rental revenue has continued to be recognized on a straight-line basis and an expected credit loss expense has been recognized as applicable.

Revenue is comprised of the following:

		December 31, 2020		December 31, 2019
Base Rent	$	29,710,700	$	24,023,281
Operating Costs Recoveries		6,388,535		5,433,164
Tax Recoveries		8,043,751		6,306,061
Straight Line Rent		481,186		458,582
Free Rent		(87,830)		(65,325)
	$	44,536,342	$	36,155,762

10. Finance Costs

Finance costs for the years ended December 31, 2020 and December 31, 2019 are as follows:

		December 31, 2020		December 31, 2019
Mortgage Interest	$	7,957,033	$	6,778,614
Bank Indebtedness Interest		373,138		657,851
Finance Fee Amortization		343,273		394,588
Non-cash Interest Expense		(278,418)		(35,155)
Finance Costs	$	8,395,027	$	7,795,898

Finance fee amortization relates to fees paid on securing the Facility, the LOC and the Trust's various mortgages accounted for under the amortized cost method. Non-cash interest expense relates to the amortization of mark to market adjustment relating to the assumed mortgages from the Trust's various acquisitions.

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, 2020 and December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
Realty Taxes	$ 8,747,867	$ 7,372,269
Property Management Fees (note 12(b))	1,753,197	1,421,198
Operating Expenses	5,498,670	4,371,494
Property Operating Expenses	$ 15,999,734	$ 13,164,961

	December 31, 2020	December 31, 2019
Asset Management Fees (note 12(a))	$ 3,192,096	$ 2,604,266
Public Company Expenses	259,093	272,057
Office and General	765,631	607,211
General and Administrative	$ 4,216,820	$ 3,483,534

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, report 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 investment 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, 2020 and December 31, 2019, Asset Management Fees were $2,734,468 and $2,317,938; Acquisition Fees were $40,219 and $1,765,003; Placement Fees were $165,625 and $533,895 and Performance Incentive Fees were $457,628 and $286,328, 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, 2020, $457,628 ($286,328 as at December 31, 2019) 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 Property 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 FCRPI 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, 2020 and December 31, 2019, Property Management Fees were $874,032 and $1,094,436 and Commercial Leasing Fees were $128,252 and $124,009, respectively.

As at December 31, 2020, $75,429 ($135,315 as at December 31, 2019) was due to FCPMC and has been accounted for in accounts payable and accrued liabilities.

(c) Lease Agreement

On August 1, 2013, FCPMC entered into a lease agreement with the entity that owns the Montreal Industrial Portfolio which the Trust accounts for as a joint control arrangement, to lease office space on commercially available terms. For the year ended December 31, 2020, $22,320 ($22,320 year ended December 31, 2019) of base rent was paid on this lease.

(d) Co-Ownership Arrangement

The Trust currently is a co-owner in ten joint arrangements. 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. The co-ownership schedule is laid out below:

Investment Properties	**Joint Arrangement Interest**
Centre Ice Retail Portfolio	70%
Waterloo Industrial Portfolio	70%
Montreal Industrial Portfolio	50%
Edmonton Industrial Portfolio	50%
Ottawa Apartment Complex	50%
Crombie Retail Portfolio	50%
FCR Retail Portfolio	50%
Gateway Retail Portfolio	50%
The Whitby Mall	40%
Thickson Place	40%

Certain Trustees and Officers of the Trust directly and/or indirectly have interests in certain of these Joint Arrangements.

(e) Key management compensation:

For the year ended December 31, 2020, total trustee's fee expenses were $166,500 (2019 - $166,500) and included in general and administrative expenses (office and general). Certain key management personnel are also trustees of the Trust and receive compensation from FCRPI.

The trustees and officers participate in the Trust's unit option plan. Unit options granted and outstanding are disclosed in note 8(k).

13. Co-Ownership Property Interests

The Trust's properties have the following property interests and includes its proportionate share of the related assets, liabilities, revenue and expenses of these properties in the consolidated financial statements.

	As at December 31, 2020			
	Trust Wholly Owned	Co-Owned at Proportionate Ownership	Total	Co-Owned at 100%
Current Assets	$ 878,687	$ 30,214,587	$ 31,093,275	$ 67,242,086
Non-Current Assets	87,017,187	362,410,206	449,427,393	710,048,124
Total Assets	**$ 87,895,874**	**$ 392,624,793**	**$ 480,520,668**	**$ 777,290,210**
Current Liabilities	16,679,315	29,621,856	46,301,171	51,360,944
Non-Current Liabilities	19,496,475	191,271,068	210,767,543	$ 379,511,549
Total Liabilities	**$ 36,175,790**	**$ 220,892,924**	**$ 257,068,714**	**$ 430,872,493**
Total Owners' Equity	**$ 51,720,085**	**$ 171,731,869**	**$ 223,451,954**	**$ 346,417,717**

	As at December 31, 2019			
	Trust Wholly Owned	Co-Owned at Proportionate Ownership	Total	Co-Owned at 100%
Current Assets	$ 9,032,347	$ 8,363,730	$ 17,396,076	$ 14,278,161
Non-Current Assets	87,644,782	370,132,934	457,777,717	722,976,376
Total Assets	**$ 96,677,129**	**$ 378,496,664**	**$ 475,173,793**	**$ 737,254,537**
Current Liabilities	4,436,209	55,581,907	60,018,116	105,934,347
Non-Current Liabilities	22,205,506	163,911,097	186,116,602	$ 325,705,503
Total Liabilities	**$ 26,641,715**	**$ 219,493,003**	**$ 246,134,718**	**$ 431,639,850**
Total Owners' Equity	**$ 70,035,415**	**$ 159,003,660**	**$ 229,039,075**	**$ 305,614,687**

	Year Ended December 31, 2020			
	Trust Wholly Owned	**Co-Owned at Proportionate Ownership**	**Total**	**Co-Owned at 100%**
Net Operating Income				
Rental Revenue	$ 8,180,825	$ 36,355,517	$ 44,536,342	$ 70,932,167
Property Operating Expenses	(3,271,909)	(12,727,825)	(15,999,734)	(25,660,711)
	4,908,916	23,627,692	28,536,608	45,271,456
Interest and Other Income	20,200	31,762	51,962	65,839
Expenses:				
Finance Costs	1,208,803	7,186,224	8,395,027	14,189,391
General and Administrative	2,815,158	1,401,662	4,216,820	1,774,322
	4,023,961	8,587,886	12,611,847	15,963,713
Income Before Fair Value Adjustments	905,155	15,071,568	15,976,723	29,373,582
Fair Value Adjustments:				
Investment Properties	(2,142,352)	1,560,050	(582,302)	305,018
Gain on Sale of Investment Properties	-	9,097	9,097	12,995
Unit-based Compensation Recovery/(Expense)	427,609	-	427,609	-
Net Income and Comprehensive Income	$ (809,588)	$ 16,640,715	$ 15,831,127	$ 29,691,596

	Year Ended December 31, 2019			
	Trust Wholly Owned	**Co-Owned at Proportionate Ownership**	**Total**	**Co-Owned at 100%**
Net Operating Income				
Rental Revenue	$ 8,046,072	$ 28,109,690	$ 36,155,762	$ 54,485,235
Property Operating Expenses	(3,256,693)	(9,908,268)	(13,164,961)	(19,302,410)
	4,789,379	18,201,422	22,990,801	35,182,825
Interest and Other Income	34,835	61,266	96,101	123,865
Expenses:				
Finance Costs	1,900,376	5,895,522	7,795,898	11,551,514
General and Administrative	1,167,476	2,316,058	3,483,534	4,406,651
	3,067,852	8,211,580	11,279,432	15,958,164
Income Before Fair Value Adjustments	1,756,362	10,051,108	11,807,470	19,348,525
Fair Value Adjustments:				
Investment Properties	2,418,014	21,860,700	24,278,714	37,010,745
Gain on Sale of Investment Properties	-	349,872	349,872	499,817
Unit-based Compensation Recovery/(Expense)	(714,660)	-	(714,660)	-
Net Income and Comprehensive Income	$ 3,459,715	$ 32,261,681	$ 35,721,396	$ 56,859,087

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 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, 2020 and December 31, 2019. 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 FCPMC and Trustees of the Trust. Management salaries are payable by FCRPI under the Asset Management Agreement as reflected in note 12(a).

16. Commitments and Contingencies

For the years ended December 31, 2020 and December 31, 2019, the Trust had no material commitments and contingencies other than those outlined in notes 12(a) and 12(b).

17. 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, 2020 and December 31, 2019, the ratio of such indebtedness to gross book value was 51.6% and 49.8%, respectively, which complies with the requirement in the Declaration of Trust and is consistent with the Trust'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 was in compliance with these requirements throughout the years ended December 31, 2020 and December 31, 2019.

18. 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 GBV of the Trust's GBV 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 Trust's variable rate debt:

Impact on Interest Expense	**December 31, 2020**	**December 31, 2019**
Bank Indebtedness	$ 185,000	$ -
Mortgages	109,958	112,500
	$ 294,958	$ 112,500

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 and Quebec Sales Tax receivables.

Due to the financial impacts of COVID-19 on many tenants, the collectability of certain lease payments from lessees has become uncertain.

In determining the expected credit losses, the Trust takes into account the payment history and future expectations of likely default events (i.e. asking for rental concessions, applications for rental relief through government programs such as the CECRA program, or stating they will not be making rental payments on the due date) based on actual or expected insolvency filings or voluntary arrangements. These assessments are made on a tenant-by-tenant basis.

Accounts receivable balance is net of expected credit losses of $318,189 (2019 - $109,843).

As at December 31, 2020, the Trust had one tenant comprising 11.4% of rental revenues

(12.1% as at December 31, 2019).

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, 2020 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
Mortgages (note 7(a))	$ 18,627,014	$ 65,704,841	$ 143,945,692	$ 228,277,548
Bank Indebtedness (note 6)	20,538,051	-	-	20,538,051
Tenant Rental Deposits	336,537	220,965	1,084,183	1,641,685
Distribution Payable	1,222,914	-	-	1,222,914
Land Lease Liability (note 7(b))	34,432	35,508	222,602	292,542
Accounts Payable and Accrued Liabilities (note 5)	5,853,899	-	-	5,853,899
	$ 46,612,847	$ 65,961,314	$ 145,252,476	$ 257,826,639

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 and other assets, distribution payable, tenant rental deposits, land lease liability 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, 2020		December 31, 2019
	Amortized Cost	FVTPL	
Financial Assets			
Accounts Receivable	$ 2,959,845	$ 2,959,845	$ 2,782,608
Deposits and Other Assets	1,580,301	1,580,301	1,058,025
Retricted Cash	204,188	204,188	192,438
Cash and Cash Equivalents	5,685,951	5,685,951	12,746,594
Assets Held For Sale	20,043,100	20,043,100	-
Financial Liabilities			
Distribution Payable	$ 1,222,914	$ 1,222,914	$ 1,225,775
Accounts Payable and Accrued Liabilities (except Option Liabilities)	5,108,673	5,108,673	5,211,126
Land Lease Liability	292,542	292,542	325,080
Bank Indebtedness	20,538,051	20,538,051	-
Tenant Rental Deposits	1,641,685	1,641,685	1,554,524
Mortgages	227,519,622	227,787,112	236,645,378
Option Liabilities	-	745,226	1,172,835

I. Fair Value Hierarchy

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 $227.8 million (2019 - $237.6 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(k).

19. Segmented Information

The Trust operates in five reportable segments: grocery anchored retail, non-grocery anchored retail, industrial, multi-residential and core service office provider and evaluates performance based on net income and comprehensive income which is presented by segment as outlined below:

	Grocery Anchored Retail	Non-Grocery Anchored Retail	Industrial	Multi-Residential	Core Service Office Provider	Corporate	Year Ended December 31, 2020
Net Operating Income							
Rental Revenue	$ 25,852,252	$ 6,413,507	$ 9,910,866	$ 1,737,463	$ 622,254	-	$ 44,536,342
Property Operating Expenses	(8,743,378)	(2,367,620)	(3,643,301)	(742,118)	(503,317)	-	(15,999,734)
	17,108,875	4,045,887	6,267,565	995,345	118,937	-	28,536,608
Interest and Other Income	23,424	2,454	6,604	159	-	19,321	51,962
Expenses:							
Finance Costs	5,462,111	367,968	1,684,828	320,174	126,279	433,667	8,395,027
General and Administrative	915,307	189,978	532,901	121,815	259	2,456,560	4,216,820
	6,377,418	557,946	2,217,729	441,989	126,538	2,890,227	12,611,847
Income Before Fair Value Adjustments	10,754,881	3,490,394	4,056,440	553,515	(7,601)	(2,870,906)	15,976,723
Fair Value Adjustments:							
Investment Properties	(7,488,087)	(1,197,243)	6,669,750	1,506,179	(72,901)	-	(582,302)
Gain on Sale of Investment Properties	-	-	9,097	-	-	-	9,097
Unit-based Compensation Recovery/(Expense)	-	-	-	-	-	427,609	427,609
Net Income/(Loss) and Comprehensive Income/(Loss)	$ 3,266,794	$ 2,293,151	$ 10,735,286	$ 2,059,694	$ (80,502)	$ (2,443,297)	$ 15,831,127

	Grocery Anchored Retail	Non-Grocery Anchored Retail	Industrial	Multi-Residential	Core Service Office Provider	Corporate	Year Ended December 31, 2019
Net Operating Income							
Rental Revenue	$ 18,935,921	$ 6,580,974	$ 8,334,945	$ 1,674,358	$ 629,565	-	$ 36,155,762
Property Operating Expenses	(6,291,769)	(2,488,184)	(3,210,108)	(661,250)	(513,650)	-	(13,164,961)
	12,644,152	4,092,789	5,124,837	1,013,108	115,915	-	22,990,801
Interest and Other Income	26,560	11,757	23,899	2,821	-	31,064	96,101
Expenses:							
Finance Costs	5,339,408	432,639	1,543,554	345,843	134,454	-	7,795,898
General and Administrative	777,597	169,636	463,343	129,302	-	1,943,656	3,483,534
	6,117,006	602,274	2,006,897	475,145	134,454	1,943,656	11,279,432
Income Before Fair Value Adjustments	6,553,706	3,502,272	3,141,839	540,784	(18,539)	(1,912,592)	11,807,470
Fair Value Adjustments:							
Investment Properties	7,555,711	2,127,681	14,558,375	816,737	(779,790)	-	24,278,714
Gain on Sale of Investment Properties	-	270,103	79,769	-	-	-	349,872
Unit-based Compensation Recovery/(Expense)	-	-	-	-	-	(714,660)	(714,660)
Net Income/(Loss) and Comprehensive Income/(Loss)	$ 14,109,418	$ 5,900,056	$ 17,779,983	$ 1,357,521	$ (798,329)	$ (2,627,252)	$ 35,721,396

20. Subsequent Events

a) On January 4, 2021, the Trust completed a refinancing of its Centre Ice Portfolio with a Canadian Chartered Bank. The principal balance of $15.7 million was renewed with a 2.3% interest rate, amortizes and matures January 4, 2024. The Trust's portion of this mortgage is $11.0 million.

b) On March 11, 2021, the Trust announced that it has declared and approved monthly distributions in the amount of $0.0425 per Trust Unit for Unitholders of record on April 30, 2021, May 31, 2021 and June 30, 2021, payable on or about May 17, 2021, June 15, 2021 and July 15, 2021, respectively.

c) On February 2nd, February 25th and February 26th, the Trust completed sales of three retail properties from the Centre Ice Retail Portfolio with gross proceeds of approximately $10.2 million ($9.9 million net of closing costs). The Trust's pro-rata share of the gross proceeds is $7.1 million ($6.9 million net of closing costs). Net of a partial discharge of the loan on the properties, the Trust's pro-rata share of the proceeds are approximately $3.0 million.