SUMMIT INDUSTRIAL INCOME REIT

Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

SUMMIT INDUSTRIAL INCOME REIT
For the years ended December 31, 2013 and 2012

Table of contents

Deloitte LLP
Purdy's Wharf Tower II
1969 Upper Water Street
Suite 1500
Halifax NS B3J 3R7
Canada

Tel: 902-422-8541
Fax: 902-423-5820
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Summit Industrial Income REIT:

We have audited the accompanying consolidated financial statements of Summit Industrial Income REIT, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, changes in unitholders'equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Summit Industrial Income REIT as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

February 26, 2014
Halifax, Nova Scotia

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Balance Sheets

As at December 31, 2013 and 2012

(In thousands of Canadian dollars)

	Note		December 31, 2013		December 31, 2012
Assets					
Non-current					
Investment properties	7	**$**	**307,015**	$	75,674
Current					
Investment property held for sale	7		**750**		3,700
Accounts receivable	8		**947**		207
Prepaid expenses, deposits, and deferred financing costs	8		**654**		1,175
Cash			**1,047**		815
			3,398		5,897
Total assets		**$**	**310,413**	$	81,571
Liabilities					
Non-current					
Loans and borrowings	9	**$**	**122,857**	$	32,817
Security deposits			**1,917**		375
			124,774		33,192
Current					
Loans and borrowings	9		**66,188**		1,614
Loans and borrowings of investment property held for sale			**-**		2,743
Trade and other accrued liabilities			**4,414**		736
Other liabilities			**-**		1,097
Distributions payable	11		**741**		-
Preferred units payable	10		**-**		1,125
			71,343		7,315
Total liabilities			**196,117**		40,507
Unitholders' equity			**114,296**		41,064
Total liabilities and equity		**$**	**310,413**	$	81,571

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Trustees on February 26, 2014

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2013 and 2012

(In thousands of Canadian dollars, except per unit amounts)

	Note		2013		2012
Revenue from investment properties	14	**$**	**22,047**	$	2,497
Property operating expenses			**5,555**		517
Net rental income			**16,492**		1,980
Other income					
Other income			**-**		14
Finance income			**21**		-
Gain on sale of investment properties			**60**		157
			81		171
Other expenses					
General and administrative			**1,549**		457
Finance costs			**5,280**		705
			6,829		1,162
Income before income taxes and fair value adjustments to investment properties			**9,744**		989
Income taxes - current	17		**-**		83
Income before fair value adjustments to investment properties			**9,744**		906
Fair value adjustments to investment properties	7		**538**		7,661
Net income and comprehensive income		**$**	**10,282**	$	8,567
Net income per unit					
Basic	11	**$**	**0.629**	$	3.735
Diluted	11	**$**	**0.629**	$	3.735

The accompanying notes are an integral part of these consolidated financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Changes in Unitholders' Equity

For the years ended December 31, 2013 and 2012

(In thousands of units and Canadian dollars)

	Fund units (Note 11)	Note	Unit equity	Deficit	Unitholders equity
Beginning balance, January 1, 2012	654		$ 21,645	$ (6,487)	$ 15,158
Net income and comprehensive income	-		-	8,567	8,567
Distributions	-	11	-	(13,347)	(13,347)
Issuance of units, net of costs	6,235	11	30,686	-	30,686
Unitholders' equity, December 31, 2012	6,889		$ 52,331	$ (11,267)	$ 41,064
Beginning balance, January 1, 2013	**6,889**		**$ 52,331**	**$ (11,267)**	**$ 41,064**
Net income and comprehensive income	-		**-**	**10,282**	**10,282**
Distributions	-	11	**-**	**(7,376)**	**(7,376)**
Units issued through DRIP	**148**	11	**830**	**-**	**830**
Issuance of units, net of costs	**11,120**	11	**69,496**	**-**	**69,496**
Unitholders' equity, December 31, 2013	**18,157**		**$ 122,657**	**$ (8,361)**	**$ 114,296**

The accompanying notes are an integral part of these consolidated financial statements.

SUMMIT INDUSTRIAL INCOME REIT

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(In thousands of Canadian dollars)

	Note	2013	2012
Operating activities			
Net income and comprehensive income		**$ 10,282**	$ 8,567
Add (deduct):			
Finance costs		**5,280**	705
Gain on sale of investment properties		**(60)**	(157)
Straight-line rent adjustment		**(578)**	(58)
Fair value adjustments to investment properties		**(538)**	(7,661)
Change in non-cash working capital items		**3,177**	62
Interest and finance fees paid		**(6,372)**	(998)
		11,191	460
Financing activities			
Repayment of loans and borrowings		**(6,363)**	(2,103)
Repayment of other liabilities	13	**(1,097)**	-
Repayment of preferred units payable	10	**(1,125)**	-
Increase in loans and borrowings		**140,781**	31,727
Distributions paid	11	**(5,805)**	(13,347)
Net proceeds from units issued	11	**69,496**	30,686
		195,887	46,963
Investing activities			
Additions to investment properties		**(2,368)**	-
Proceeds from sale of investment properties		**5,406**	15,452
Acquisition of investment properties		**(209,884)**	(61,620)
Deposits on future acquisitions of investment properties		**-**	(800)
		(206,846)	(46,968)
Increase in cash		**232**	455
Cash, beginning of year		**815**	360
Cash, end of year		**$ 1,047**	$ 815

The accompanying notes are an integral part of these consolidated financial statements.

1. Reporting entity

Effective October 3, 2012, Proventure Income Fund changed its name to Summit Industrial Income REIT (“Summit II” or the “Trust”). Summit II is a mutual fund trust established under the laws of the Province of Ontario and is domiciled in Canada. The registered office of the Trust is situated at 294 Walker Drive, Brampton, Ontario, L6T 4Z2. The Trust is primarily involved in the commercial leasing of real estate property with 19 property locations in Ontario, 5 properties across Western Canada, 5 properties in Montreal, and 1 property in Atlantic Canada. The Trust’s units are listed on the TSX and trade under the symbol “SMU.UN”.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Board of Trustees authorized the issue of these consolidated financial statements on February 26, 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for investment properties which are recorded at fair value in accordance with the Trusts’ accounting policies set forth in Note 4.

The consolidated financial statements are presented in thousands of Canadian dollars which is the functional currency of the Trust and its subsidiaries.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Trust has applied new and revised IFRSs issued by the International Accounting Standards Board (“IASB”) that are effective for an annual period that begins on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements

IFRS 10 *Consolidated Financial Statements* (“IFRS 10”) replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The adoption of IFRS 10 did not result in any change to the consolidated financial statements.

3. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12") requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to provide financial statement users with information to evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvement with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The Trust conducted a review of the new standard and determined that the adoption of IFRS 12 did not result in any change to the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 *Fair Value Measurement* ("IFRS 13") replaces existing IFRS guidance on fair value with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and outlines required disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The adoption of IFRS 13 did not result in any change to the consolidated financial statements except for certain additional disclosures in respect of the Trust's fair value measurements.

4. Significant accounting policies

The accounting policies set out below have been applied consistently by all the Trusts' entities and to all periods presented in the consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries, Summit Industrial Income Holdings Limited Partnership and Summit Industrial Income Operating Limited Partnership and their respective general partners, Summit Industrial Income Holdings GP Ltd. and Summit Industrial Income Corp. Subsidiaries are all entities in which the Trust controls. Control is achieved when the Trust has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

(b) Cash

Cash includes balances held on deposit with banks.

4. Significant accounting policies (continued)

(c) Investment properties

Investment properties are comprised of commercial real estate properties held to earn rental income or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. The fair value of investment properties is determined based on available market evidence. If market evidence is not available, the Trust utilizes alternative valuation methods, performed by either third-party appraisers who are members of the Appraisal Institute of Canada or by the Trust using similar assumptions and valuation principals as used by the external appraisers. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

The fair value of investment property reflects, among other things, rental income from current leases, and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected with respect to the property.

Subsequent expenditures are capitalized to the investment property’s carrying value only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Direct leasing costs incurred by the Trust in negotiating and arranging tenant leases are added to the carrying value of investment properties.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the investment property is derecognised.

(d) Assets held for sale

Non-current assets comprising assets and liabilities that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(e) Income tax

The Trust qualifies as a mutual fund trust under the Income Tax Act (Canada). The Trustees intend to distribute all taxable income directly earned by the Trust to unitholders and to deduct such distributions for income tax purposes.

4. Significant accounting policies (continued)

(e) Income tax (continued)

The legislation relating to the federal income taxation of a specified investment flow-through (''SIFT'') trust or partnership was enacted on June 22, 2007. Under the SIFT rules, certain distributions from a SIFT will not be deductible in computing the SIFTS's taxable income and the SIFT will be subject to tax on such distribution at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. However, distributions paid by a SIFT as return of capital should generally not be subject to tax.

Under the SIFT rules, the taxation regime will not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the ''REIT Conditions''). The Trust has reviewed the SIFT rules and has assessed their interpretation and application to the Trust's assets and revenue. While there are uncertainties in the interpretation and application of the SIFT rules, the Trust believes that it will meet the REIT Conditions and accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated statement of income and comprehensive income in respect of the Trust, subsequent to the Trust meeting the REIT Conditions.

(f) Revenue recognition

The Trust retains substantially all the risks and rewards of ownership of its investment properties and therefore accounts for all of its leases with its tenants as operating leases. Rental revenue is recorded once the tenant has commenced its lease and has the right to the use of the investment property. Generally, this occurs on the later of the lease commencement date or when the Trust is required to make additions to the lease property in the form of tenant improvements, upon substantial completion of such improvements. Rental revenue, including any incentives that are offered or incurred by the Trust in arranging tenant leases, are recognized as revenue on a straight-line basis over the term of the lease. The difference between revenue recognized and the cash received is recognized in other receivables. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred and become recoverable under the terms of the lease from tenants.

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheet at the time the Trust becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. The subsequent measurement of financial instruments depend on their allocation into one of the following categories: fair value through profit or loss; held-to-maturity investments; available for sale; loans and receivables and other financial liabilities. The Trust's financial assets and liabilities consist primarily of cash and cash equivalents, accounts receivable, trade and other accrued liabilities, security deposits, loans and borrowings and preferred units payable. The Trust has designated its financial instruments as follows:

Cash	Loans and receivable
Accounts receivable	Loans and receivable
Trade and other accrued liabilities	Other financial liabilities
Security deposits	Other financial liabilities
Loans and borrowings	Other financial liabilities
Distributions payable	Other financial liabilities

4. Significant accounting policies (continued)

(g) Financial Instruments (continued)

Financial assets classified as loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Transaction costs incurred on other liabilities with balances that frequently fluctuate or have not been drawn upon are deferred and amortized over the term of the borrowing.

(h) Provisions

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(i) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Trust on terms that the Trust would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Trust considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Trust uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4. Significant accounting policies (continued)

(j) Earnings per unit

Basic earnings per unit are computed by dividing earnings by the weighted average number of units outstanding for the period. Diluted earnings per unit are calculated giving effect to the potential dilution that would occur if unit options or other dilutive instruments were exercised or converted to units. The dilutive impact is determined by assuming that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase units at the average market price of the units during the period.

(k) Future Accounting Policy Changes

The IASB has issued the following new standards and amendments to existing standards that are expected to be relevant to the Trust in preparing its consolidated financial statements in future periods.

IFRS 9 - Financial Instruments (“IFRS 9”)

IFRS 9 introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments*: *Recognition and Measurement* to be subsequently measured at amortized cost or fair value. As part of the limited amendments to IFRS 9, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date should be left open. This amendment was released in connection with IFRS 7 *Financial Instruments: Disclosures - Transition Disclosures* (“IFRS 7”) which outlines that, with the amendments to IFRS 9, entities applying IFRS 9 do not need to restate prior periods but are required to apply modified disclosures. The Trust does not expect that this amendment will result in a material impact to the consolidated financial statements.

IAS 32 - Offsetting Financial Assets and Financial Liabilities (“IAS 32”)

Amendments have been made to IAS 32 which clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The Trust does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Trust's consolidated financial statements as the Trust does not have any financial assets and financial liabilities that qualify for offset.

IFRIC Interpretation 21 - Levies (“IFRIC 21”)

In May 2013, the IASB issued IFRIC 21, which is an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for years beginning on or after January 1, 2014 and must be applied retrospectively. The Trust is currently assessing the potential impact of this standard.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trusts’ accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are accounted for prospectively.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

a) *Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations, that have been made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Investment properties

The Trust applies judgement in determining whether an acquisition meets the definition of a business combination or, alternatively, an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners. The determination of whether an acquisition meets the definition of a business results in measurement differences on initial recognition of the acquired net assets. If the acquisition is determined to be a business combination these differences include the nature of deferred tax assets and liabilities that may be recorded and the requirement to recognize goodwill or negative goodwill, as applicable, for differences between the consideration provided and the fair value of the net assets acquired. Additionally, transaction costs incurred to effect a business combination are required to be expensed where for an asset acquisition transaction costs would be capitalized to the initial carrying amount of the acquired asset. The Trust considers all the properties it has acquired to date to be asset acquisitions.

The Trust also applies judgement in determining whether subsequent expenditures are capitalized to the investment property’s carrying amount based on whether it is probable that future economic benefits associated with the expenditure will flow to the Trust.

(ii) Leases

The Trust uses judgement in determining whether certain leases, in particular, those tenant leases with long contractual terms and where the lessee is the sole tenant, are operating or finance leases. The Trust has determined that all of its tenant leases are operating leases.

(iii) Lease incentives

The Trust evaluates whether tenant improvement allowances, whether provided in cash, or free-rent, are, in substance, lease incentives or capital expenditures of the Trust that enhance the value of the income producing property. This determination requires judgement and consideration of several factors, including whether the improvements enhance the value of the property, tenant discretion in use of the funds, uniqueness of the improvements and transfer of risks and rewards.

(iv) Compliance with REIT legislation

In order to continue to be taxed as a mutual fund trust, the Trust needs to maintain its REIT status. During the prior years, the Trust undertook certain transactions to qualify as a REIT under the SIFT rules in the Canadian Income Tax Act. The Trust’s current and continuing qualification as a REIT depends on its ability to meet the various requirements imposed under the SIFT rules, which relate to matters such as its organizational structure and the nature of its assets and revenues. The Trust applies judgment in determining whether it continues to qualify as a REIT under the SIFT rules.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

b) Critical accounting estimates and assumptions

The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

(i) Fair value of investment properties

The fair value of investment properties is dependent upon available comparable transactions, future cash flows over the holding period and discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions of estimated occupancy, rental rates and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

The critical estimates and assumptions underlying the valuation of investment properties are set out in Note 7.

(ii) Fair value of financial instruments

The critical estimates and assumptions underlying the valuation of financial instruments are set out in Note 12.

6. Acquisitions

Acquisitions of income properties completed during the year ended December 31, 2013 are as follows:

(in $ thousands)

Property	Property type	Ownership interest	Date acquired	Cash and other[1]	Mortgage financing	Acquisition cost[2]
5880 56th Avenue, Edmonton, AB	Industrial	100%	28-Feb-13	$ 2,249	$ 4,050	$ 6,299
3703 98th Street, Edmonton, AB	Industrial	100%	28-Feb-13	2,508	4,500	7,008
40 Dynamic Drive, Scarborough, ON	Industrial	100%	04-Mar-13	2,081	4,048	6,129
50 Dynamic Drive, Scarborough, ON	Industrial	100%	04-Mar-13	1,198	2,330	3,528
125 Nashdene Road, Scarborough, ON	Industrial	100%	04-Mar-13	4,433	8,623	13,056
200 Vandorf Sideroad, Aurora, ON	Industrial	100%	06-Mar-13	28,157	-	28,157
290 Frenette Ave East, Moncton, NB	Industrial	100%	11-Mar-13	7,877	13,016	20,893
292-294 Walker Drive, Brampton, ON	Industrial	100%	13-Mar-13	4,148	4,758	8,906
296-300 Walker Drive, Brampton, ON	Industrial	100%	13-Mar-13	3,669	4,662	8,331
155-161 Orenda Road, Brampton, ON	Industrial	100%	13-Mar-13	6,935	17,350	24,285
8705 Torbram Road, Brampton, ON	Industrial	100%	13-Mar-13	8,068	13,913	21,981
165 Orenda Road, Brampton, ON	Industrial	100%	13-Mar-13	4,404	-	4,404
1075 Clark Boulevard, Brampton, ON	Industrial	100%	13-Mar-13	1,580	2,884	4,464
40 Summerlea Road, Brampton, ON	Industrial	100%	13-Mar-13	3,652	6,139	9,791
6 Shaftsbury Lane, Brampton, ON	Industrial	100%	13-Mar-13	4,677	4,294	8,971
500 Veterans Drive, Barrie, ON	Industrial	100%	29-Aug-13	6,523	11,190	17,713
110 Walker Drive, Brampton, ON	Industrial	100%	29-Aug-13	7,284	5,398	12,682
175 Bellerose Blvd, Laval, QC	Industrial	100%	29-Aug-13	3,036	5,200	8,236
300 Labrosse, Pointe-Claire, QC	Industrial	100%	01-Oct-13	1,295	2,243	3,538
2580 Dollard, Lassalle, QC	Industrial	100%	01-Oct-13	1,998	3,428	5,426
2695 Dollard, Lassalle, QC	Industrial	100%	01-Oct-13	1,133	1,948	3,081
7290 Frederick Banting, St. Laurent, QC	Office	100%	01-Oct-13	1,430	2,455	3,885
				$108,335	$122,429	$ 230,764

(1) Cash and other includes cash, cash drawn from the bank credit facility and assumption of security deposits.
(2) Acquisition costs includes acquisition-related expenses.

7. Investment properties

The following table presents investment properties as at December 31, 2013 and December 31, 2012:

	2013			2012		
(In $ thousands)	**Investment properties**	**Investment property held for sale**	**Total**	Investment properties	Investment property held for sale	Total
Balance at beginning of period	**$ 75,674**	**$ 3,700**	**$ 79,374**	$ 11,956	$ 26,327	$ 38,283
Additions:						
Acquisition of investment properties	**230,764**		**230,764**	61,620	-	61,620
Additions to investment properties	**2,436**		**2,436**	-	-	-
Transfer from investment properties to investment property held for sale	**(750)**	**750**	**-**	(3,700)	3,700	-
Dispositions	**(1,647)**	**(3,700)**	**(5,347)**	(1,863)	(26,327)	(28,190)
Fair value gains	**538**	**-**	**538**	7,661	-	7,661
Balance at end of period	**$ 307,015**	**$ 750**	**$ 307,765**	$ 75,674	$ 3,700	$ 79,374

The Trust's investment property in Red Deer, Alberta, is available for sale and has been classified as held for sale and recorded at its fair value of $0.8 million at December 31, 2013.

As indicated in Note 6, during the year ended December 31, 2013, the Trust acquired $230.8 million of investment properties. The acquisitions were financed by new mortgages of $104.0 million, assumed mortgages of $18.4 million (excluding $152,000 of mark-to-market premium recorded on assumed debt), net proceeds of $69.5 million raised during the February public offering and the balance from the revolving operating facility. In addition, approximately $1.5 million in security deposits were assumed for the year ending December 31, 2013.

Approximately $307 million of investment properties are used for security under loans and borrowings (Note 9).

Approximately $1.2 million in additions to investment properties relate to the redevelopment of the property at 501 Palladium Drive, Ottawa, ON, from a single tenant to a multi-tenant building. The remaining $1.2 million in additions to investment property relate to first year capital outlays, tenant leasing costs and capitalization of free rent receivable.

Approximately $101 million of the $308 million or 33% of the properties were appraised by third party valuation professionals in 2013 (2012 - $59.3 million or 75%). The fair value of the remaining investment properties was determined internally by the Trust using similar assumptions and valuation principals as used by the external appraisers. On an annual basis, approximately 33% of the portfolio is expected to be appraised by an external third party which over 3 years will represent 100% of the portfolio having been externally appraised.

7. Investment properties (continued)

The Trust values investment properties using Level 3 inputs. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs are inputs other than quoted prices that are observable for the asset either directly or indirectly. Valuations that require the significant use of unobservable inputs are considered Level 3. There have been no transfers during the period between levels.

Investment properties were valued using a combination of the discounted cash flow method, the direct capitalization method, and the direct comparison method. These methods require certain key assumptions, including rental income, market rents, operating expenses, vacancies, inflation rates, discount rates, and capitalization rates to be made. The discount rate and capitalization rate is determined for each property based on available market information related to the sale of similar buildings within the same geographic locations. Fair value adjustments for the year ended December 31, 2013 were $538,000 (2012 - $7.7 million).

Significant assumptions made to determine the fair value of the investment properties are set out as follows:

			2013			2012
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Number of properties	**13**	**6**	**11**	10	-	-
Fair value at December 31, 2013	**$ 120,220**	**$88,240**	**$ 99,305**	$ 79,374	$ -	$ -
Maximum	**10.00%**	**7.75%**	**$ 175.00**	12.00%	-	-
Minimum	**5.38%**	**6.50%**	**$ 72.50**	5.99%	-	-
Weighted average	**6.92%**	**7.21%**	**$ 80.66**	7.01%	-	-

Fair values are most sensitive to change in capitalization rates. A 0.25% increase in the weighted average capitalization rate for income properties would decrease fair value by $11.3 million and a 0.25% decrease would increase fair value by $12.2 million.

The fair value of investment properties has been reduced by $636,000 (2012 - $58,000) representing net straight-line rent receivables arising from the recognition of rental revenues on a straight-line basis over the lease term in accordance with IAS 17, “Leases” and Standing Interpretations Committee (“SIC”) 15, “Operating Leases - Incentives”. The straight-line rent receivable is presented within accounts receivable on the consolidated balance sheet (Note 8).

The following properties were disposed during the year ended December 31, 2013.

Property	**Property type**	**Ownership interest**	**Date disposed**	**Sale price (In $ thousands)**
4010 & 3930 Thatcher Avenue, Saskatoon, SK	Industrial	100%	26-Apr-13	$ 3,775
Hwy 1 & 8 North, 109 Hwy 8, Moosomin, SK	Industrial	100%	30-Apr-13	1,646
Investment properties disposed				$ 5,421

Proceeds on the above noted dispositions were used to repay $4.2 million in term mortgages and $1.1 million in other liabilities. A net gain of $60,000 was realized after deducting costs relating to the disposition.

8. Accounts receivable, prepaid expenses and deferred financing costs

The components of accounts receivable are as follows:

(In $ thousands)	2013	2012
Tenant receivables (net of allowance of $nil)	**$ 159**	$ 88
Other receivables (including straight-line rent receivable)	**788**	119
	$ 947	$ 207
Prepaid expense and deposits	**$ 457**	$ 956
Deferred financing costs	**197**	219
	$ 654	$ 1,175

9. Loans and borrowings

(In $ thousands)	2013	2012
Term mortgages	**$ 126,200**	$ 11,095
Revolving operating facility	**62,845**	26,079
Total	**189,045**	37,174
Less: Current debt	**66,188**	4,357
Non-Current debt	**$ 122,857**	$ 32,817

(a) Term mortgages

As described in Note 6, during the year ended December 31, 2013, approximately $122.4 million in new mortgage financing was obtained on acquisitions at a weighted average effective interest rate of 3.68% and stated interest rate of 3.75%. In addition, approximately $4.2 million in term mortgages were repaid during the year ended December 31, 2013 with proceeds on dispositions described in Note 7.

Term mortgages bear interest at a weighted average effective interest rate of 3.68% (2012 - 3.89%) and stated interest rate of 3.75% (2012 - 3.89%). The term mortgages are secured by first registered mortgages over specific properties and first general assignments of leases, insurance and registered chattel mortgages.

Included in mortgages payable is $130,000 of unamortized mark-to-market premiums related to a mortgage assumed upon acquisition.

9. Loans and borrowings (continued)

(a) Term mortgages (continued)

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2014	$ 3,554
2015	3,690
2016	9,613
2017	14,243
2018	50,389
Thereafter	45,673
Principal amount	127,162
Premium on debt	130
Deferred financing charges	(1,092)
Total term mortgages	$ 126,200

(b) Revolving operating facility

As at December 31, 2013, approximately $62.8 million (2012 - $26.1 million) was drawn from the revolving operating facility.

The revolving operating facility is interest bearing at a variable interest rate based on bank prime plus 1% for prime rate loans or banker's acceptance rates plus 2% for banker's acceptances. Amounts drawn in excess of $55 million bear a variable interest rate based on bank prime plus 2.25% for prime rate loans or banker's acceptance rates plus 3.25% for banker's acceptances. At December 31, 2013, approximately $62.0 million of the total funds drawn on the revolving operating facility was in the form of banker's acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $103.2 million, and first general assignment of leases and insurance and expires on September 27, 2014.

On February 20, 2013, the revolving operating facility was increased to $38 million, on March 11, 2013 it was increased to $55 million, and on August 20, 2013, it was increased to $68 million. The August 20, 2013 increase amount of $13 million matures on May 28, 2014.

10. Preferred units payable

On May 31, 2013 the Trust repurchased and cancelled the Class C preferred units, which had a distribution rate of 8%, using funds drawn from the revolving operating facility. During the year ended December 31, 2013 the Trust recorded $38,000 (2012 - $90,000) of interest expense related to the Class C preferred units.

11. Unitholders' equity

(a) Authorized

The Trust is authorized to issue an unlimited number of units. Each unit, which has no par value, represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. Each unitholder shall be entitled to require the Trust to redeem at any time from time to time at the demand of the unitholder all or any part of the units registered in the name of the unitholder at the prices determined and payable in accordance with the conditions hereinafter provided. A maximum amount of $25,000 may be redeemed in cash in any one month unless otherwise waived by the Board of Trustees. Any redemption in excess of $25,000 will be settled by way of the issuance by the Trust a promissory note in a principal amount equal to the redemption price determined in accordance with the Declaration of Trust.

(b) Issued and outstanding

In January 2013, the Trust consolidated all of its issued and outstanding units on the basis of one post consolidation unit for every twelve pre-consolidations unit (the "Consolidation") held as of the record date for the Consolidation. Following the Consolidation, the number of outstanding units was reduced from 82,717,645 to approximately 6,888,915 units, including 4,222 post-consolidation units that were cancelled. The following is a continuity of the Trust's issued and outstanding units:

(In thousands)	*Number of pre-consolidation units*	Number of consolidated units	Carrying amount
Balance January 1, 2012	*7,851*	654	$ 21,645
Units issued September 25, 2012	*8,200*	683	2,337
Units issued September 27, 2012	*66,667*	5,552	28,349
Balance December 31, 2012	*82,718*	6,889	$ 52,331
Balance January 1, 2013 (after Consolidation)		**6,889**	**$ 52,331**
Issuance of units on February 26, 2013		**11,120**	**69,496**
Units issued under the DRIP		**148**	**830**
Balance December 31, 2013		**18,157**	**$ 122,657**

On February 26, 2013 the Trust completed a public offering of 11,120,000 units at a price of $6.75 per unit for gross proceeds of $75.1 million. The offering incurred issue costs of $5.6 million for net proceeds of $69.5 million.

The Trust announced on March 15, 2013 that it has implemented a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's units who are residents in Canada can acquire additional Trust units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, unitholders who elect to participate in the DRIP receive a further distribution of Trust units equal to 5% of each distribution that was reinvested by them. During the year ended December 31, 2013, there were 148,284 units issued under this plan for total proceeds of $830,000, representing 12.5% of the related distributions.

11. Unitholders' equity (continued)

(c) Distributions

The Trust declared the following distributions during the year:

(In $ thousands, except per unit amounts)	**2013**	2012
Paid in cash	**$ 5,805**	$ -
Reinvested by unitholders under the DRIP	**830**	-
$0.0408 per unit payable at December 31, 2013	**741**	-
$1.70 per unit in January 2012 - paid in cash	**-**	13,347
Distributions recorded in equity	**$ 7,376**	$ 13,347

(d) Per unit amounts

The weighted average number of units are as follows:

(In thousands of units)	**2013**	2012 (1)
Issued units, beginning of period (1) (after "Consolidation")	**6,889**	654
Issuance of units September 25, 2012	**-**	183
Issuance of units September 27, 2012	**-**	1,457
Issuance of units February 26, 2013	**9,414**	-
Issuance of units under the DRIP	**53**	-
Total weighted average number of units outstanding	**16,356**	2,294

(1) 2012 units have been restated for the impact of the unit consolidation; as discussed earlier in ths note.

As at December 31, 2013 and 2012, the Trust has no units or instruments outstanding that would have a dilutive effect on earnings per unit.

12. Fair value of financial instruments

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction based on the current market for instruments with the same risks, principal and remaining maturity.

The carrying amounts of cash, accounts receivable, trade and other accrued liabilities, other liabilities, security deposits, and preferred units payable, approximate their fair values. The fair value loans and borrowings was estimated based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

		2013		2012
(In $ thousands)	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets				
Cash	**$ 1,047**	**$ 1,047**	$ 815	$ 815
Accounts recievable	**947**	**947**	207	207
Financial liabilities				
Loans and borrowings	**189,045**	**188,451**	37,174	37,174
Trade and other accrued liabilities	**4,414**	**4,414**	736	736
Other liabilities	**-**	**-**	1,097	1,097
Security deposits	**1,917**	**1,917**	375	375
Distribution payable	**741**	**741**	-	-
Preferred units payable	**-**	**-**	1,125	1,125

The Trust values instruments carried at fair value using quoted market prices, where available. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The disclosed fair values have been determined using Level 2 inputs.

13. Related party transactions

(a) Management agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited (formerly Founders Asset Management) ("Sigma" or the "Manager"), Sigma provides Summit II with the services necessary to manage its day-to-day operations. The Management Agreement, dated September 25, 2012, has an initial term of ten years, subject to earlier termination in certain circumstances, and will be automatically renewed for successive five-year terms.

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being: A base annual management fee equal to 0.25% of the gross value of Summit II's assets; an incentive fee for the fiscal year ending December 31, 2014 and onward, equal to 15% of Summit II's adjusted funds from operations ("AFFO") per unit, as defined by the Management Agreement, in excess of a $0.48 (after the "consolidation") hurdle amount, such hurdle amount to be increased by 1.5% each year; an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, payable so long as the gross book value of the properties owned by Summit II does not exceed $1 billion; a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services; a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property, and other property management costs recoverable under tenant operating leases; a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II, where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200,000.

The Manager can elect to take all (or any percentage of all) fees payable to it under the Management Agreement (and any property management agreement) in the form of units, rather than in cash. Any such units issued will be issued at a price per unit equal to the greater of (a) 95% of the weighted average closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period, and (b) such price stipulated by such stock exchange, to a maximum of the weighted closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period.

Under the terms of the management agreement with Sigma Asset Management Limited ("Sigma" or the "Manager), the Trust has incurred the following fees for the year:

(In $ thousands)		**2013**		2012
Acquisition fees (capitalized to investment properties)	**$**	**2,142**	$	595
Asset management fees		**585**		42
Leasing fees (capitalized to investment properties)		**155**		-
Property management services		**926**		44
	$	**3,808**	$	681

Included in trade and other accrued liabilities at December 31, 2013 is an amount of $182,000 (2012 - $123,000) due to Sigma. Also, during the year ended December 31, 2013, Sigma paid $18,000 to the Trust (2012 - nil) for office space located at 294 Walker Drive, Brampton, Ontario, under a five year lease commencing June 1, 2013.

13. Related party transactions (continued)

(a) Management agreement (continued)

During the year ended December 31, 2013, the Manager used $1.6 million of the acquisition fee proceeds to acquire 240,444 Trust units from the offering of 11,120,000 units, as described in Note 11, at the market price of $6.75 per unit.

During the year ended December 31, 2013, certain Informed Persons of the Manager, as such term is defined in National Instrument 51-102 - Continuous Disclosure Obligations, acquired 254,071 units from the offering of 11,120,000 units, as described in Note 11, at the market price of $6.75 per unit.

(b) Cervus

Until September 25, 2012 the CEO of the Trust was the Executive Chairman of the Board of Directors of Cervus Equipment Corporation ("Cervus") and the Trust and Cervus shared a common Board of Directors. Effective September 25, 2012 as a result of the units issued on that date, the Chairman of Cervus is no longer the CEO of the Trust and the Trust does not share a common Board of Directors with Cervus.

For the year ended December 31, 2012, the Trust received $281,000 in rental income and guarantee fees and paid $58,000 in management fees and interest.

Also, for the year ended December 31, 2012, the Trust sold land and buildings to Cervus and Cervus assumed certain mortgage liabilities related to those assets. The sales price aggregated to $26.3 million, of which $11.5 million was an assumption of mortgage debt and the balance of $14.8 million, was in the form of cash in the amount of $13.3 million, and $1.5 million was applied as a reduction in the loan between the Trust and Cervus. As at December 31, 2013, there is no outstanding balance of the loan between the Trust and Cervus (2012 - $1.1 million).

14. Revenues from investment properties

Revenues recognized from investment properties for the years ended December 31, 2013 and 2012 were $22.0 million and $2.5 million respectively. The Trust leases commercial properties under operating leases with lease terms of between one and ten years.

As at December 31, 2013 the Trust is entitled under its non-cancellable tenant operating leases to the following minimum future receipts:

(In $ thousands)	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	$ 19,631	$ 59,837	$ 41,827

15. Risk management

In the normal course of business, the Trust is exposed to a number of risks that can materially affect its operating performance.

(a) Interest rate risk

The Trust is exposed to interest rate risk when funds are drawn under the revolving operating facility and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the Trust's loans and have an adverse effect on the Trust's net income and comprehensive income and earnings per unit.

At December 31, 2013, the Trust has $62.8 million (2012 - $30.4 million) of variable rate loans and borrowings. A change of 100 basis points in interest rates would have increased or decreased net income and comprehensive income for the year ended December 31, 2013 by approximately $628,000 (2011 - $304,000). The Trust intends to structure its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(b) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust attempts to mitigate this risk by conducting credit assessments on new lessees, diversifying its tenant mix and by limiting its exposure to any one tenant. The maximum credit risk exposure at December 31, 2013 and 2012 relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants. Refer to Note 8 for details of accounts receivable.

(c) Liquidity risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the Trust's payment obligations as they arise. Furthermore, liquidity risk also arises from the Trust not being able to obtain financing or refinancing on favourable terms.

For the year ended December 31, 2013 the Trust's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations or from drawing on the Trust's revolving operating facility. Debt repayment obligations (Note 9) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property. Between capital raises, the Trust may use its revolving operating facility to fund the equity portion of property acquisitions.

The Trust's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The Trust intends to mitigate its liquidity risk by staggering the maturities of its debt. As well, the Trust's distributions are made at the discretion of the Trust's Trustees. Finally, the Trust does not enter into committed property acquisitions unless it has secured or is confident that it can secure the appropriate capital (debt and equity) to fund the particular acquisition.

16. Capital management

The capital structure of the Trust consists of the following:

(In $ thousands)	**2013**	2012
Loans and borrowings	**$ 189,045**	$ 37,174
Unitholders' equity	**114,148**	41,064
	$ 303,193	$ 78,238

The Trust's objective when managing its capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for unitholders and to ensure access to sufficient funds for acquisitions. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the financial requirements of the underlying real estate assets. In order to maintain or adjust the capital structure, the Trust may issue units to facilitate acquisitions and/or retire financings or may adjust the amount of distributions paid to the unitholders.

The revolving operating facility agreement requires the Trust to maintain a debt to aggregate assets ratio no greater than 65%; debt service coverage ratio not less than 1.50 times and minimum adjusted unitholders' equity not less than (i) $20 million plus (ii) 75% of the net proceeds from each offering of equity interests subsequent to September 27, 2012. The debt to aggregate assets ratio is limited to a maximum of 65.0% as per the Declaration of Trust.

Also, the Trust is required by certain of its mortgage lenders to maintain, on an annual basis, a cash flow coverage not less than 1.25 times for a fiscal year and debt service coverage ratio of 1.5 times.

These covenants are required to be calculated based on Canadian generally accepted accounting principles ("GAAP"), which is IFRS. As at December 31, 2013, the Trust is in compliance with its financial covenants.

17. Segmented information

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

18. Income tax

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes has been recorded.

The Canadian Income Tax Act contains rules (the "SIFT Rules") applicable to specified investment flow-through ("SIFT") trusts, which generally tax the SIFT trust on its income from business carried on in Canada and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Canadian Income Tax Act) and the distribution of such income to unitholders is generally treated as dividends received from a taxable Canadian corporation. If the income is not distributed, the Trust will be taxed on its income. In general, distributions paid as returns of capital will not be subject to this tax.

18. Income tax (continued)

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts (“REITs”) that meet certain specified criteria relating to the nature of its revenue and investments (the “REIT Exemption”). The Trust qualifies as a REIT for 2013 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in the consolidated financial statements.

19. Subsequent events

(a) Distribution

On January 15, 2014, a distribution in the amount of $0.0408 per unit for unitholders of record on January 31, 2014 was declared and will be paid on February 14, 2014. Also, on February 14, 2014, a distribution in the amount of $0.0408 per unit for unitholders of record on February 28, 2014 was declared and will be paid on March 14, 2014.