Consolidated Financial Statements of

FAM REAL ESTATE INVESTMENT TRUST

Years ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of FAM Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of FAM Real Estate Investment Trust which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of income and comprehensive income, changes in unitholders' equity, and cash flows for the years then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 consolidated financial position of FAM Real Estate Investment Trust as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 5, 2015

Winnipeg, Canada

FAM REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

As at December 31, 2014 and 2013

	Note		2014		2013
Assets					
Non-current assets:					
Investment properties	4	$	448,012	$	265,367
Equity accounted investment	6		11,105		—
Interest rate swap asset	11		—		1,505
Restricted cash			1,596		1,494
Total non-current assets			460,713		268,366
Current assets:					
Note receivable	7		6,559		—
Prepaid expenses and other assets			754		325
Accounts receivable	8		5,577		789
Cash			3,067		1,785
Total current assets			15,957		2,899
Total assets		$	476,670	$	271,265
Liabilities and Unitholders' Equity					
Non-current liabilities:					
Mortgages payable	9	$	251,853	$	126,063
Provisions and other non-current liabilities	10		3,082		1,187
Interest rate swap liabilities	11		2,239		569
Class B LP units	14		38,460		25,871
Warrants	15		8		64
Total non-current liabilities			295,642		153,754
Current liabilities:					
Mortgages payable	9		18,055		3,995
Vendor take-back loan	12		9,180		8,889
Revolving credit facility	13		1,398		1,659
Accounts payable and other liabilities	16, 23		12,301		3,822
Total current liabilities			40,934		18,365
Total liabilities			336,576		172,119
Unitholders' equity			140,094		99,146
Total liabilities and unitholders' equity		$	476,670	$	271,265

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

Approved by the Board of Trustees

"Gary Samuel" Trustee "Ian MacKellar" Trustee

FAM REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income and Comprehensive Income
(in thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

	Note	2014	2013
Revenue from investment properties		$ 33,087	$ 28,478
Property operating expenses	23	(13,800)	(10,919)
Property operating income		19,287	17,559
General and administration	20, 23	$ (2,033)	$ (2,425)
Special Committee related expenses	24	(1,876)	—
Finance costs, net	21	(11,898)	(6,169)
Share of net income from equity accounted investment	6	1,501	—
Fair value adjustments to financial instruments	22	2,500	4,193
Fair value adjustments to investment properties	4	(4,620)	1,232
Loss on disposal of investment properties	5	—	(175)
Net income and comprehensive income		$ 2,861	$ 14,215

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

FAM REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Change in Unitholders' Equity
(in thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

2014	Note	Trust units	Retained earnings	Total
Unitholders' equity, beginning of year		$ 77,993	$ 21,153	$ 99,146
Issued on public offering	18	17,302	—	17,302
Issued on private placement	18	7,360	—	7,360
Issued in connection with the acquisition of investment properties	5, 18	20,036	—	20,036
Issue costs	18	(1,292)	—	(1,292)
Distributions declared	19	—	(8,452)	(8,452)
Distributions reinvested in trust units	19	3,133	—	3,133
Net income and comprehensive income		—	2,861	2,861
Unitholders' equity, end of year		$ 124,532	$ 15,562	$ 140,094

2013	Note	Trust units	Retained earnings	Total
Unitholders' equity, beginning of year		$ 51,516	$ 12,348	$ 63,864
Issued on public offering	18	23,081	—	23,081
Issued on private placement	18	4,000	—	4,000
Issue costs	18	(1,472)	—	(1,472)
Issued on exchange of Class B LP units	14	23	—	23
Distributions declared	19	—	(5,410)	(5,410)
Distributions reinvested in trust units	19	845	—	845
Net income and comprehensive income		—	14,215	14,215
Unitholders' equity, end of year		$ 77,993	$ 21,153	$ 99,146

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

FAM REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

	Note		2014		2013
Operating activities:					
Net income		$	2,861	$	14,215
Items not affecting cash	28		10,159		(184)
Change in non-cash working capital			5,201		1,214
Interest paid on mortgages payable			(6,227)		(5,494)
Interest paid on vendor take-back loan			(276)		(275)
Interest paid on revolving credit facility			(166)		(247)
Distributions on Class B LP units	19		(186)		(1,120)
Cash flows from operating activities			11,366		8,109
Investing activities:					
Acquisition of investment property, net of cash acquired	5		(147,246)		(83,231)
Capital expenditures	4		(1,470)		(581)
Direct leasing expenses, net of tenant improvement payable			(1,197)		(1,221)
Proceeds from disposition of investment property			—		21,675
Issuance of note receivable	7		(6,500)		—
Investment in equity accounted investee	6		(9,604)		—
Cash flows used in investing activities			(166,017)		(63,358)
Financing activities:					
Proceeds from public offering	18		17,302		23,081
Proceeds from private placement	18		7,360		4,000
Transaction costs on equity offering	18		(1,292)		(1,472)
Proceeds from mortgage financing			144,000		70,670
Mortgage principal payments			(3,995)		(33,799)
Transaction costs on mortgages and revolving credit facility			(198)		(987)
Defeasance costs			—		(598)
Repayment of revolving credit facility			(250)		(4,550)
Distributions paid on trust units			(6,994)		(4,632)
Proceeds from issuance of warrants	15		—		57
Cash flows from financing activities			155,933		51,770
Increase (decrease) in cash			1,282		(3,479)
Cash, beginning of year			1,785		5,264
Cash, end of year		$	3,067	$	1,785

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

1. Organization

FAM Real Estate Investment Trust (the “Trust” or the “REIT”) is an unincorporated, open-ended real estate investment trust which was created pursuant to a Declaration of Trust dated August 27, 2012, as amended and restated on December 27, 2012 and December 17, 2014, under the laws of the Province of Ontario and the applicable laws of Canada. The REIT’s trust units and trust unit purchase warrants are listed on the Toronto Stock Exchange (“TSX”) and traded under the symbols “F.UN” and “F.WT”, respectively. The registered office of the Trust is located at Suite 2400, 200 Front St West, Toronto, Ontario, Canada.

On December 28, 2012, the Trust completed its initial public offering ("IPO") of offered units, raising gross proceeds of $58.8 million. The net proceeds of the offering were used as partial consideration for the acquisition of a portfolio of 27 income-producing office, industrial, and retail properties located in four provinces and one territory of Canada (the “Initial Properties”). The Trust had no operations prior to December 28, 2012.

2. Basis of preparation

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These consolidated financial statements were approved by the Board of Trustees and authorized for issue on March 5, 2015.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a going concern basis and historical cost basis except for the following material items:

- Investment properties are measured at fair value; and
- Financial instruments classified as fair value through profit or loss are measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Trust’s functional currency.

2. Basis of preparation (continued)

(c) Use of estimates and judgments:

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results could differ from the estimated amounts.

The critical judgments made by management in the process of applying the Trust's accounting policies, apart from those involving estimations, that have the most significant effect on the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year are as follows:

(i) Business combinations:

The Trust makes certain judgments based on relevant facts and circumstances to determine whether a set of assets acquired and liabilities assumed constitute a business accounted for as a business combination. The Trust has determined that the acquisition of the investment properties on December 17, 2014 constituted an asset acquisition.

(ii) Leases:

The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is the lessee, are operating or finance leases. The Trust has determined that none of its leases are finance leases.

(iii) Lease incentives:

Lease incentives such as rent-free periods and lessee or lessor owned improvements may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease. This assessment requires the consideration of several factors, including whether the incentives enhance the value of the property, uniqueness of the improvements, and tenant discretion in use of funds.

(iv) Income taxes:

The Trust has determined that it is not subject to income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current tax legislation.

2. Basis of preparation (continued)

(c) Use of estimates and judgments (continued):

(v) Assets and liabilities held for sale:

The Trust makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale. As at December 31, 2014, the Trust has determined that there were no assets or group of assets and liabilities that met the specified criteria.

The key estimates and assumptions made by management about the future and other major sources of estimation uncertainty at the date of the consolidated financial statements that have a significant risk of resulting in a material adjustment to the carrying amounts of assets within the next financial year are as follows:

(i) Valuation of investment properties:

The fair values of investment properties, including the investment property under development held by the equity-accounted investee, are determined by management using recognized valuation techniques with a portion of fair values supported by externally qualified third party appraisers. The critical estimates and assumptions underlying the valuation of investment properties include, among other things, rental revenue from current leases, rental revenue from future leases in light of current conditions, future cash outflows in respect of leasing costs, capital expenditures, property operations, and capitalization and discount rates based on market data within the applicable market segment and geographical location. In addition, critical estimates for the investment property under development also include the exercise of the purchase option by the tenant and the stage of completion. Valuations are most sensitive to changes in discount rates and capitalization rates. Changes to the estimates and assumptions used by management or to local and general economic conditions can result in a significant change to the valuation of investment properties, which will be recognized as fair value adjustments during the periods the changes occur.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently in these consolidated financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Trust and the subsidiaries summarized below. All intercompany transactions have been eliminated upon consolidation.

	2014	2013
FAM Management Limited Partnership	100%	100%
FAM GPCO Inc.	100%	100%
FAM II Limited Partnership	100%	—
4211 Yonge Street G.P. Inc.	100%	100%
4211 Yonge Street Limited Partnership	100%	100%

(i) Subsidiaries:

A subsidiary is an entity over which the Trust has control. Control exists when the Trust has power over an investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed when necessary to align them with the policies applied by the Trust in these consolidated financial statements.

(ii) Joint arrangements:

A joint arrangement is a contractual arrangement in which the Trust has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The Trust classifies joint arrangements as either joint operations or joint ventures.

A joint operation is a joint arrangement wherein the parties have rights to the assets and obligations for the liabilities. The Trust's interest in a joint operation is accounted for based on the Trust's interest in those assets, liabilities, revenues, and expenses. The Trust's interest in the joint operation was sold in April 2013.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(ii) Joint arrangements (continued):

A joint venture is a joint arrangement wherein the parties have rights to the net assets. The Trust's interest in a joint venture is accounted for using the equity method (note 6). Under the equity method, the investment is initially recognized at cost and subsequently adjusted to recognize the Trust's share of income and losses. The Trust's share of the investee's earnings is recognized in profit or loss. Distributions received from the investee are accounted for as a reduction in the carrying amount of the Trust's investment.

(b) Business combinations:

When a set of assets acquired and liabilities assumed by the Trust constitutes a business and the Trust obtains control over the business, the acquisition method is used to account for the business combination. The consideration transferred in a business combination is calculated as the fair values of the assets transferred, equity instruments issued and liabilities incurred to former owners of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests, if any, are recorded at their proportionate share of the fair value of identifiable net assets acquired or at fair value on initial recognition. The excess of the consideration transferred and non-controlling interests in the acquiree over the fair values of the identifiable net assets acquired is recorded as goodwill. If the consideration transferred and non-controlling interests in the acquiree is less than the fair value of the identifiable net assets acquired, the difference is recognized immediately in profit or loss as a bargain purchase gain.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Trust incurs in connection with a business combination are expensed as incurred.

(c) Investment properties:

Investment properties include land and buildings held primarily to earn rental income or for capital appreciation or for both, rather than for administrative purposes, for use in the production or supply of goods and services or for sale in the ordinary course of business. Investment properties are measured initially at cost. A property acquisition is accounted for as a business combination using the acquisition method if the assets acquired and liabilities assumed constitute a business, and the Trust obtains control of the business.

3. Significant accounting policies (continued)

(c) Investment properties (continued):

Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence at the date of the consolidated statement of financial position. Changes in fair value are recorded in profit or loss in the period in which they arise. The carrying amount of investment properties includes straight-line rent receivable and direct leasing costs.

Initial direct leasing costs include leasing commissions, lease incentives, and legal fees directly attributable to negotiating and arranging a lease. Lease incentives that are spent on leasehold improvements are referred to as tenant improvements. All other lease incentives are referred to as tenant inducements. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized on a straight-line basis over the term of a lease as a reduction of revenue.

An investment property held under an operating lease that meets the definition of an investment property is recognized in the Trust's consolidated statements of financial position and measured at fair value.

Gains or losses from the disposal of investment properties are determined as the difference between the net disposal proceeds and the recorded fair value of the investment properties and are recognized in profit or loss in the period of disposal.

(d) Restricted cash:

Restricted cash includes amounts held in reserve for capital improvements and holdbacks as required by mortgages and tenant leases.

(e) Provisions:

A provision is recognized if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for site remediation in respect of contaminated land, and the related expenses, is recognized when the contamination becomes known.

3. Significant accounting policies (continued)

(e) Provisions (continued):

A provision for decommissioning including site restoration and related expenses is recognized and measured as the present value of estimated future expenditures determined in accordance with local conditions and discounted using a risk-free interest rate with a corresponding amount added to the carrying amount of the related investment property. The provision is accreted over time to reflect the unwinding of the discount. The provision is remeasured at the end of each reporting period to reflect changes in estimates and circumstances, including estimates of future cash flows and risk-free interest rates. All changes to the provision for decommissioning are included in the carrying amount of the related investment property.

(f) Financial instruments:

(i) The Trust's financial assets and liabilities are classified as follows:

Description	Classification	Measurement subsequent to initial recognition
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Note receivable	Loans and receivables	Amortized cost
Accounts payable and other liabilities	Other financial liabilities	Amortized cost
Interest rate swap asset and liabilities	FVTPL	Fair value
Warrants	FVTPL	Fair value
Class B LP units	FVTPL	Fair value
Revolving credit facility	Other financial liabilities	Amortized cost
Vendor take-back loan	Other financial liabilities	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost

The Trust designated the Class B limited partnership units ("Class B LP units") of FAM Management Limited Partnership ("FAM LP") and FAM II Limited Partnership ("FAM II LP"), limited partnership subsidiaries of the Trust, as financial liabilities as fair value through profit or loss ("FVTPL") on initial recognition.

3. Significant accounting policies (continued)

(f) Financial instruments (continued):

(ii) Measurement - initial recognition:

All financial assets and financial liabilities recognized are initially measured at fair value. Transaction costs attributable to financial assets and liabilities classified as FVTPL are expensed as incurred. Transaction costs attributable to all other financial assets and liabilities are added to the carrying amount of the financial asset and liability.

(iii) Measurement - subsequent to initial recognition:

Subsequent to initial recognition, measurement of financial assets and financial liabilities depends on the classification of the assets and liabilities as follows:

Non-derivative financial assets:

The Trust's non-derivative financial assets are classified as FVTPL, or as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in profit or loss.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. A provision for impairment is established for an account receivable when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency and significant financial difficulty of a tenant. The carrying amount of the asset is reduced through an allowance account, or directly when the Trust determines that collection is not possible, and the amount of the loss is recognized in the consolidated statements of income and comprehensive income within property operating expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the subsequent period to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment loss not been previously recognized. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any rights and obligations created or retained by the Trust in a transfer of financial assets are recognized as separate assets or liabilities.

3. Significant accounting policies (continued)

(f) Financial instruments (continued):

(iii) Measurement - subsequent to initial recognition (continued):

Non-derivative financial liabilities:

The Trust classifies non-derivative financial liabilities as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes in fair value recognized in profit or loss. Other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as FVTPL.

Derivative financial assets and liabilities:

Derivative financial instruments are classified as FVTPL and are measured at fair value with changes in fair value recognized in profit or loss.

The Trust enters into interest rate swaps to reduce the impact of certain mortgages payable with fluctuating interest rates. The swaps are derivative financial instruments that require a periodic exchange of payments with counterparties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS.

(iv) Compound financial instruments:

Components of a financial instrument that contains both a financial liability and an equity component are recognized separately. The carrying amount assigned to the equity component on initial recognition is the residual amount after deducting the fair value of the financial liability from the fair value of the financial instrument as a whole.

Transaction costs relating to the issuance of compound instruments are allocated to the liability and equity components in proportion to the allocation of proceeds.

3. Significant accounting policies (continued)

(g) Class B LP units:

The Class B LP units of FAM LP and FAM II LP are exchangeable into trust units of the REIT at the option of the holder. The trust units of the REIT are puttable instruments (note 3(i)) and, therefore, the Class B LP units meet the definition of a financial liability under International Accounting Standard 32, *Financial Instruments - Presentation* (''IAS 32''). The Class B LP units are designated as FVTPL. The fair value of the Class B LP units is remeasured at the end of each reporting period with changes in fair value recorded in profit or loss. Distributions paid on the Class B LP units are recorded as finance costs. Upon exchange into trust units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date is reclassified to unitholders' equity.

(h) Trust unit purchase warrants (the "Warrants"):

Each whole Warrant entitles the holder to purchase one trust unit of the REIT upon exercise. As the trust units of the REIT are puttable instruments (note 3(i)), the Warrants meet the definition of a financial liability under IAS 32. The Warrants are derivatives and therefore classified as FVTPL. The fair value of the Warrants is remeasured at the end of each reporting period with changes in fair value recorded in profit or loss.

Upon exercise, the carrying amount of the liability representing the fair value of the Warrants on exercise date is reclassified to unitholders' equity.

(i) Trust units:

The REIT's trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. In accordance with IAS 32, puttable instruments are classified as financial liabilities, except where certain conditions are met; in which case, the puttable instruments are classified as equity. The Trust has determined that it has met the conditions set out in IAS 32 that permit instruments that otherwise meet the definition of a financial liability to be classified as equity based on the features of the trust units and other relevant facts and circumstances. Accordingly, the REIT's trust units are classified and accounted for as equity.

Distributions on trust units are recorded in retained earnings in the period they are approved.

(j) Revenue recognition:

Revenue from investment properties includes rents from tenants under lease agreements, percentage rents, property tax and operating cost recoveries and other incidental income, and is recognized over the term of the underlying leases.

Rental revenue from investment properties with contractual rent increases are recognized on a straight-line basis over the term of the respective leases.

3. Significant accounting policies (continued)

(k) Leases:

Leases where the Trust, as the lessor, does not transfer substantially all the risks and rewards of ownership of its investment properties are classified as operating leases. Ground leases where the Trust, as the lessee, does not assume substantially all the risks and rewards of ownership are classified as operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. Payments made and received under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Finance costs:

Finance costs comprise interest expense on borrowings, gains or losses on interest rate swaps, amortization or derecognition of mark-to-market adjustment on assumption of mortgages, amortization of transaction cost, accretion expense, distributions on Class B LP units, and defeasance costs.

Transaction costs associated with financial liabilities measured at amortized cost such as mortgages payable and the revolving credit facility are netted against the carrying amount of the related debt instrument and amortized using the effective interest method over the term of the related debt.

(m) Income taxes:

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust that meets prescribed conditions 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. The REIT intends to distribute all of its taxable income to unitholders and therefore has not recognized any current or deferred income taxes in these consolidated financial statements.

3. Significant accounting policies (continued)

(n) New standards applicable in future periods:

Standards issued, but not yet effective, up to the date of issuance of these consolidated financial statements that are applicable to the Trust are described below. The Trust intends to apply these standards when they become effective.

IFRS 9, *Financial Instruments* ("IFRS 9") replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Trust is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The new standard is effective for annual periods beginning on or after January 1, 2017. The Trust does not expect the standard to have a material impact on the financial statements.

In December, 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The extent of the impact of adoption has not yet been determined.

(o) Change in accounting policy:

Effective January 1, 2014, the Trust adopted IFRS Interpretations Committee 21, *Levies* ("IFRIC 21"), which provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation, and clarifies when a liability for a levy should be recognized. IFRIC 21 did not have an impact on the consolidated financial statements.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

4. Investment properties

	Note	2014	2013
Balance, beginning of year		$ 265,367	$ 195,710
Acquisition of investment properties	5a	183,529	87,896
Additions:			
Capital expenditures		1,470	581
Direct leasing expenses		1,861	1,221
Disposition of investment properties	5b	—	(21,850)
Provisions	10	94	102
Fair value adjustments		(4,620)	1,232
Amortization of leasing expenses and straight-line rents included in revenue, net		311	475
Balance, end of year		$ 448,012	$ 265,367

(a) *Fair value of investment properties:*

Investment properties are measured at fair value at each reporting date. As at December 31, 2014, five of the Trust's 35 properties with an aggregate fair value of $54.8 million were appraised by qualified third party valuators. As at December 31, 2013, four investment properties with an aggregate fair value of $46.3 million were externally appraised.

Each of the Trust's investment properties are subject to an external appraisal on a rotating schedule such that each property will be appraised at least once over a two-year period. A breakdown of the aggregate fair value of properties externally appraised in 2013 and 2014 is as follows:

	2014		2013	
	Number of properties	Fair value	Number of properties	Fair value
March 31	4	$ 32,020	—	$ —
June 30	4	49,450	5	39,900
September 30	4	22,450	5	21,000
December 31	5	54,830	4	46,250

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

4. Investment properties (continued)

(a) *Fair value of investment properties (continued):*

The valuation process for externally and internally appraised investment properties utilizes the direct capitalization, discounted cash flow, and direct comparison approaches. Under the direct capitalization approach, fair values are determined by capitalizing the stabilized net operating income at the market capitalization rates. Under the discounted cash flow approach, fair values are determined by discounting the expected future cash flows, generally over a term of 10 years, using an appropriate discount rate and including a terminal value based on the application of a terminal capitalization rate (“Terminal cap rate”).

Valuations are most sensitive to changes in discount rates and capitalization rates, which are set out in the following table:

			2014			2013
	Discount rate	Terminal cap rate	Capitalization rate	Discount rate	Terminal cap rate	Capitalization rate
Industrial:						
Minimum	8.00%	7.25%	8.00%	7.75%	7.25%	7.25%
Maximum	9.25%	8.50%	8.00%	10.00%	8.50%	7.50%
Weighted average	8.27%	7.57%	8.00%	8.57%	7.78%	7.42%
Office (including parking lots):						
Minimum	7.25%	6.50%	6.50%	7.25%	6.75%	4.00%
Maximum	8.75%	8.00%	7.50%	8.50%	8.00%	7.50%
Weighted average	7.77%	7.06%	6.60%	7.81%	7.17%	6.67%
Retail:						
Minimum	8.25%	7.25%	6.50%	8.50%	7.75%	7.75%
Maximum	9.50%	9.00%	8.75%	8.75%	7.75%	8.50%
Weighted average	8.72%	8.01%	7.88%	8.59%	7.75%	8.12%

4. Investment properties (continued)

(a) Fair value of investment properties (continued):

As at December 31, 2014, if the discount rate was to increase by 25 basis points (“bps”), the value of investment properties would decrease by $4.8 million (2013 - $4.2 million). If the discount rate was to decrease by 25 bps, the value of investment properties would increase by $4.6 million (2013 - $4.5 million).

As at December 31, 2014, an investment property with a fair value of $7.6 million (2013 - $8.2 million) is situated on a ground lease expiring in 2036.

As at December 31, 2014, investment properties with an aggregate fair value of $448.4 million (2013 - $258.5 million) were pledged as security for outstanding mortgages and the revolving credit facility.

(b) Capital expenditures and interest rate subsidies:

In connection with the acquisition of the Initial Properties from Huntingdon Capital Corp. ("Huntingdon"), the Trust received a $3.0 million of capital expenditure subsidy, which will be used to subsidize capital expenditures on the Initial Properties in excess of $675,000 on an annual basis.

The capital expenditures subsidy of $3.0 million is recorded as a contra account to investment properties and is reduced as the subsidy is utilized. During the year ended December 31, 2014, the trust derecognized $0.1 million of the capital expenditures subsidy associated with capital expenditures on the Initial Properties in excess of $675,000.

During the year ended December 31, 2013, the Trust derecognized $0.3 million of the capital expenditures subsidy in connection with the sale of Humboldt Mall, which was recorded as a gain in fair value adjustments to investment properties. As at December 31, 2014, the capital expenditures subsidy was $2.6 million (2013 - $2.7 million).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

5. Acquisitions and dispositions of investment properties

(a) *Investment property acquisitions:*

On December 17, 2014, the Trust completed the acquisition of seven office properties (the "Acquisition Properties") from Slate GTA Suburban Office Inc., an affiliate of Slate Capital Corp. (Slate Capital Corp. and its affiliates are collectively referred to as "Slate") for consideration of $190.0 million, before transaction costs of $3.2 million and net closing adjustments of $5.6 million. The purchase of the Acquisition Properties was financed through a combination of (i) $144.0 million in cash, (ii) the issuance of 2,794,363 trust units at a price of $9.00 per unit, and (iii) the issuance of 2,096,686 Class B LP units at a price of $9.00 per unit of FAM II LP, along with 2,096,686 special voting units that provide the same voting rights as the trust units of FAM REIT to Slate GTA, and (iv) the REIT's existing liquidity.

The transaction was accounted for as an asset acquisition with the final purchase price allocated as follows:

Net assets acquired:		
Purchase price	$	190,000
Transaction costs		3,246
Unit price premium		(8,951)
Other adjustments, net		(767)
Investment properties		183,528
Working capital items, net		(4,841)
	$	178,687
Total consideration:		
Cash paid		147,246
2,794,363 Trust units[1]		25,149
2,096,686 Class B LP units[1]		18,870
Receivable from vendor		(3,627)
Unit price premium		(8,951)
	$	178,687

1 - Expressed at $9.00 per unit price, includes unit price premium.

The issuance of the Class B LP units and the trust units at a price of $9.00 per unit represents an estimated $1.83 premium per unit over the fair value of the trust units of $7.17 per unit as at December 17, 2014, resulting in a total premium of $9.0 million.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

5. Acquisitions and dispositions of investment properties (continued)

(a) Investment property acquisitions (continued):

In addition, in accordance with the purchase agreement, Slate will fund free rent as well as any outstanding tenant inducements and leasing commissions payable on in-place leases as of the date of the purchase agreement. The free rent adjustment of $1.1 million is reflected as an other adjustment to the investment properties and the tenant inducements and leasing commissions payable of $2.5 million are included in the aggregate working capital items. The receivable from Slate of $3.6 million will be received as the related items are paid or incurred in accordance with the tenant lease agreements. The receivable is non-interest bearing and unsecured and is included in accounts receivable on the consolidated statements of financial position.

The cash portion of the consideration was funded by a $144.0 million floating rate mortgage with a 24 month term, maturing on December 17, 2016, bearing interest of 2.25% over the 90-day Canadian Bankers' Acceptance rate and secured by each of the Acquisition Properties, with the remainder funded from the Trust's exiting liquidity. The Trust incurred $3.2 million in transaction costs related to this acquisition. No acquisition fee was paid to the Trust's manager in connection with the Acquisition Properties.

During the year ended December 31, 2013, the Trust completed the following asset acquisitions:

	4211 Yonge Street Toronto, ON ("4211 Yonge")	2655 and 2695 North Sheridan Way Mississauga, ON ("The Promontory")	1700 Ellice Avenue Winnipeg, MB ("1700 Ellice'')	Total
Net assets acquired:				
Investment property	$ 43,918	$ 39,930	$ 4,048	$ 87,896
Working capital items, net	(286)	(339)	(40)	(665)
	$ 43,632	$ 39,591	$ 4,008	$ 87,231
Total consideration:				
Cash paid	43,632	39,591	8	83,231
Class B LP units	–	–	4,000	4,000
	$ 43,632	$ 39,591	$ 4,008	$ 87,231

5. Acquisitions and dispositions of investment properties (continued)

(a) Investment property acquisitions (continued):

The financing for the 4211 Yonge acquisition consisted of a $25.0 million mortgage payable, approximately $13.5 million of net cash proceeds from the disposition of a co-owned investment property, with the remaining balance funded from the Trust's existing liquidity. The Trust incurred $0.8 million in transaction costs related to the acquisition of 4211 Yonge, which included a $0.4 million acquisition fee payable to Huntingdon (note 23).

The financing for The Promontory acquisition consisted of a $23.0 million mortgage payable, with the balance funded from the August 2013 equity offering (note 17). The Trust incurred $1.1 million in transaction costs related to the acquisition of The Promontory, which included a $0.4 million acquisition fee payable to Huntingdon (note 23).

In exchange for the 1700 Ellice investment property acquired from Huntingdon, FAM LP issued 466,094 Class B LP units at a price of $8.58 per unit for a total consideration of $4.0 million. The Trust incurred $0.1 million in transaction costs related to the acquisition of 1700 Ellice.

(b) Investment property dispositions:

On April 30, 2013, the Trust completed the sale of its 50% interest in one office property at 220 Portage Avenue, Winnipeg, Manitoba ("220 Portage") for $20.5 million less certain adjustments, and the related mortgage payable of $5.9 million was repaid. The Trust incurred $0.6 million in mortgage defeasance fees recorded as finance costs and $0.1 million in professional fees, which were recorded as a loss on disposition of investment property.

On December 30, 2013, the Trust completed the sale of one retail property at 1919A 8th Avenue, Humboldt, Saskatchewan ("Humboldt Mall") for $1.9 million. The Trust incurred $0.1 million in professional fees, which was recorded as a loss on disposition of investment property.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

6. Equity accounted investment

		2014
Balance, beginning of year	$	—
Initial investment		9,501
Acquisition fees		103
Share of net income		1,501
Balance, end of year	$	11,105

On April 22, 2014, the Trust entered into an agreement to invest in a fully pre-leased 64,000 square feet data centre development in Winnipeg, Manitoba (the "Data Centre development"). The Trust acquired a 50% equity ownership interest in a limited partnership and its general partner (the "Partnership") that will own the Data Centre development through a $9.5 million investment paid in cash.

In connection with the investment in the Partnership, the Trust also issued a $6.6 million mezzanine loan (the "Mezzanine Loan") to the other 50% limited partner, an arm's length company to fund a portion of its $9.5 million capital contribution in the Partnership (note 7).

The debt financing for the Data Centre development (on a 100% ownership basis) consists of the following:

- Loan facility of $37.0 million with a fixed interest rate of 4.38% that will mature 15 years after the earlier of (i) the completion of the Data Centre development, and (ii) July 15, 2015.
- Short term revolving facility of $2.0 million with a floating interest rate of prime plus 0.50% to fund GST. All amounts received by the Partnership as input tax credits on the Data Centre development will be applied as a reduction to the short term revolving facility.
- Non-revolving facility of $2.9 million with a floating interest rate of prime plus 1.00% to fund the Manitoba retail sales taxes during construction. This non-revolving facility is payable in six equal and consecutive quarterly installments of principal, plus interest thereon. The first quarterly installment shall be due and payable on the first day of the third complete month following the completion of the Data Centre development.

As at December 31, 2014, $37.0 million was drawn on the loan facility, $0.2 million on the non-revolving facility and $0.7 million on the short-term revolving facility. The Trust has agreed to provide a guarantee for prompt payment to the lender for up to $18.5 million up to the Completion Date (as defined in the loan agreement). After the Completion Date, the guarantee will be limited to the amount due on the 15th anniversary of the loan facility. This guarantee is not personally binding on any trustee of the Trust or registered holder of the Trust's securities.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

6. Equity accounted investment (continued)

The Trust incurred $0.1 million in acquisition fees payable to Huntingdon in connection with the investment in the Partnership.

The following amounts represent summarized financial information about the Partnership's assets and liabilities, reconciled to the carrying amount of the Trust's investment in the Partnership:

		2014
Assets		
Investment property under development	$	34,887
Other non-current assets		17
Total non-current assets		34,904
Restricted cash		35,497
Cash		671
Other current assets		260
Total current assets		36,428
Total assets		71,332
Liabilities		
Loan facility		36,675
Non-revolving facility		196
Prepaid rent		1,050
Total non-current liabilities		37,921
Revolving credit facility		749
Accounts payable and other liabilities		10,659
Total current liabilities		11,408
Total liabilities		49,329
Net assets		22,003
Ownership interest in the Partnership		50.0%
Trust's share of net assets		11,002
Acquisition fees		103
Trust's net investment	$	11,105

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

6. Equity accounted investment (continued)

The non-current assets include the data centre under development, which was initially measured at cost and is re-measured at fair value at each reporting period. The cost of an investment property under development includes the acquisition cost of the land, pre-construction costs essential to the development of the property, construction costs, realty taxes, and borrowing costs directly attributable to the development. Borrowing costs are capitalized from the commencement of the development until the date of substantial completion. The Partnership considers substantial completion to have occurred when the property is fully commissioned and delivered to the tenant for occupancy.

As at December 31, 2014, capital expenditures of $25.3 million on the investment property under development were incurred by the Partnership, excluding the non-cash assets contributed by the other 50% limited partner of $6.0 million.

As at December 31, 2014, the estimated costs to complete the Data Centre development project, excluding financing fees and other professional expenses of an estimated $0.9 million, is approximately $27.5 million (on a 100% basis).

The following amounts represent summarized financial information about the Partnership's expenses, reconciled to the Trust's share of net income:

		2014
Interest revenue	$	75
Property management fees		(66)
Legal and professional fees		(281)
Finance costs		(278)
Fair value adjustments to investment property		3,552
Net income and comprehensive income		3,002
Ownership interest in the Partnership		50.0%
Share of net income	$	1,501

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

7. Note receivable

On February 10, 2014, the Trust funded a loan for $3.0 million at a 10.0% interest rate per annum with a one-year term. The loan was secured by a first mortgage charge on real estate, a general security agreement, and the assignment of rents related to a pre-leased investment property development.

On April 22, 2014, the $3.0 million loan and unpaid accrued interest of $0.1 million were converted to form part of the $6.6 million Mezzanine Loan issued to the other 50% limited partner of the Partnership (note 6). The Mezzanine Loan bears interest at a rate of 13.3% per annum, and is repayable at any time on or before the earlier of (a) rent commencement under the tenant lease and (b) July 31, 2015.

If the Mezzanine Loan is not repaid in full, it will be converted into an additional 30% equity ownership interest in the Partnership. If only a portion of the Mezzanine Loan is repaid, the equity ownership interest conversion will be pro-rated based on the amount outstanding. The remaining 20% equity ownership interest held by the other limited partner is subject to a put-call option. The put-call option becomes effective if at least 50% of the Mezzanine Loan's face value of $3.3 million is not repaid. Under the put-call option, the Trust will have the option to purchase the other limited partner's remaining equity interest in the Partnership at fair market value. Similarly, the other limited partner will have the option to obligate the Trust to purchase the limited partner's residual equity interest in the Partnership at fair market value.

During the year ended December 31, 2014, the Trust earned $0.6 million of interest income in connection with the Mezzanine Loan. The interest receivable on the Mezzanine Loan is included in accounts receivable on the consolidated statements of financial position.

8. Accounts receivable

	Note		2014		2013
Rents receivable		$	301	$	86
Accrued recovery income			128		304
Interest receivable on Mezzanine Loan	7		601		—
Amounts receivable from Slate	23		3,721		—
Amounts receivable from Huntingdon	10		92		165
Other amounts receivable			864		234
Allowance for doubtful accounts			(130)		—
		$	5,577	$	789

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

9. Mortgages payable

		2014		2013
Mortgages payable	$	270,559	$	130,554
Mark-to-market adjustment arising on acquisition of the Initial Properties		331		552
Transaction costs		(982)		(1,048)
		269,908		130,058
Less: current portion		(18,055)		(3,995)
	$	251,853	$	126,063
Range of interest rates (%)		3.51 - 6.15		3.68 - 6.15
Weighted average contractual interest rate (%)		4.07		4.72
Range of term to maturity (years)		0.25 - 10.10		1.25 - 11.10
Weighted average term to maturity (years)		3.47		6.17

The mortgages payable are secured by mortgage charges registered against the title of specific investment properties, assignment of book debts, assignment of rents and repayment guarantees. Huntingdon has provided guarantees on mortgages with a principal balance of $1.8 million at December 31, 2014 (2013 - $26.9 million). The Trust is required to maintain quarterly and annual debt service, interest service, and loan to value ratios for certain mortgages. As at December 31, 2014 and 2013, the Trust was compliant with all financial covenants.

Future principal payments, excluding amortization of mark-to-market adjustments and transaction costs, on mortgages payable at December 31, 2014 are as follows:

2015	$	18,055
2016		158,081
2017		10,084
2018		21,227
2019		21,029
Thereafter		42,083

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

9. Mortgages payable (continued)

The mark-to-market adjustment arising on acquisition of the Initial Properties is amortized using the effective interest method. During the year ended December 31, 2014, the Trust recorded amortization of $0.2 million (2013 - $0.3 million) related to the mark-to-market adjustment. In addition, the Trust de-recognized $nil (2013 - $0.7 million) of the mark-to-market adjustment as a result of certain mortgages being refinanced. These adjustments have been recorded in finance costs (note 21). As at December 31, 2014, the mark-to-market adjustment was $0.3 million (2013 - $0.6 million)

10. Provisions and other non-current liabilities

(a) Provisions:

		2014		2013
Balance, beginning of year	$	602	$	635
Environmental provision		139		476
Environmental expenditures		(212)		(611)
Accretion and revision of estimates		94		102
Balance, end of year	$	623	$	602

In accordance with the terms of a certain ground lease expiring in 2036, the lessor has the option of requiring the Trust to restore a certain land parcel when the lease expires, or is not renewed, and the ground parcel reverts to the lessor. The provision for decommissioning recognized as at December 31, 2014 of $0.5 million (2013 - $0.4 million) has been calculated using a risk-free discount rate of 2.3% (2013 - 3.2%) and assuming a 2.0% (2013 - 2.0%) inflation growth. As at December 31, 2014, the Trust also recognized a $0.1 million provision (2013 - $0.2 million) related to environmental work required on certain of the Initial Properties for which the Trust will be reimbursed by Huntingdon in accordance with the acquisition agreement. As at December 31, 2014, the amount receivable from Huntingdon of $0.1 million is included in accounts receivable (2013 - $0.2 million) (note 8).

(b) Security deposits:

As at December 31, 2014, the Trust had security deposits of $2.5 million (2013 - $0.6 million).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

11. Interest rate swaps

As at December 31, 2014, the Trust has interest rate swaps that entitle the Trust to receive interest at floating rates and pay interest at a fixed rate.

The interest rate swaps are re-measured at fair value at the end of each reporting period with fair values calculated as the present value of contractual cash flows based on quoted forward curves and discount rates incorporating the applicable yield curve. The following tables summarize the interest rate swap agreements outstanding as at December 31, 2014 and 2013:

Notional amount at December 31, 2014	Effective interest rate	Maturity date	Unrealized loss for the year ended December 31, 2014	Cumulative unrealized loss at December 31, 2014
$ 3,840	5.89%	1-Feb-25	$ 76	$ 634
22,325	4.60%	14-Aug-23	1,471	1,482
24,005	3.68%	1-May-23	1,628	123

Notional amount at December 31, 2013	Effective interest rate	Maturity date	Unrealized loss (gain) for the year ended December 31, 2013	Cumulative unrealized loss (gain) at December 31, 2013
$ 4,109	5.89%	1-Feb-25	$ (292)	$ 558
22,835	4.60%	14-Aug-23	11	11
24,640	3.68%	1-May-23	(1,505)	(1,505)

12. Vendor take-back loan

As partial consideration for the acquisition of the Initial Properties, the Trust entered into a vendor take-back loan agreement with Huntingdon. The unsecured loan has a face value of $9.2 million (2013 - $9.2 million), bearing interest at 3.0% per annum payable quarterly, with the principal originally due in full on December 28, 2014. During the year ended December 31, 2014, the loan was renegotiated and extended to mature on June 28, 2015.

On initial recognition, the loan was measured at its fair value of $8.6 million using a market interest rate for debt with similar terms and credit risks of 6.5%. The loan is measured at amortized cost at the end of each reporting period and accreted to its face value using an annual effective interest rate of 6.5%. Accretion expense has been recorded in finance costs (note 21).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

13. Revolving credit facility

As at December 31, 2013, the Trust had a revolving credit facility that expired on November 30, 2014 and was secured by two investment properties. The interest rate was prime plus 1.5% per annum and a standby fee of 0.6% charged quarterly in arrears based on the average daily undrawn amount.

In February 2014, the Trust increased its revolving credit facility limit from $14.0 million to $17.0 million. The expiry date was extended from November 30, 2014 to November 30, 2015 and is secured by four investment properties. The amended revolving credit facility bears interest at prime plus 1.25% per annum and a standby fee of 0.5% charged quarterly in arrears based on the average daily undrawn amount. The amount available for drawdown under the revolving credit facility is computed based on the 12 month trailing cash flows and the appraised values of the secured properties, up to a maximum of $17.0 million, subject to achieving a minimum occupancy threshold by the secured investment properties.

As at December 31, 2014, the Trust had $1.5 million drawn on the revolving credit facility (2013 - $1.8 million), and unamortized transaction costs of $0.1 million (2013 - $0.1 million).

The Trust is required under the revolving credit facility agreement to maintain certain financial ratios at the end of each reporting period and a minimum unitholders' equity balance at all times. As at December 31, 2014 and 2013, the Trust was compliant with all financial covenants under the revolving credit facility.

14. Class B LP units

		2014		2013	
	Note	Units	Amount	Units	Amount
Balance, beginning of year		2,977,132	$ 25,871	2,513,700	$ 25,388
Issued in connection with the acquisition of investment properties	5	2,096,686	15,033	466,094	4,000
Exchanged for trust units		—	—	(2,662)	(23)
Fair value adjustment		—	(2,444)	—	(3,494)
Balance, end of year		5,073,818	$ 38,460	2,977,132	$ 25,871

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

14. Class B LP units (continued)

In December 2012, pursuant to the acquisition of the Initial Properties from Huntingdon, 2,513,700 Class B LP units of FAM LP were issued to Huntingdon. During the year ended December 31, 2013, FAM LP issued 466,094 Class B LP units to Huntingdon in connection with the acquisition of 1700 Ellice (note 5). In December 2014, in connection with the purchase of the Acquisition Properties (note 5), 2,096,686 Class B LP units of FAM II LP were issued to Slate.

The Class B LP units are exchangeable into trust units of the REIT on a one-for-one basis subject to anti-dilution adjustments. Each Class B LP unit is accompanied by one special voting unit of the REIT providing the same voting rights in the REIT as the trust units of the REIT. The special voting units are not transferable separately from the Class B LP units to which they are attached and will be automatically redeemed and cancelled upon exchange of the attached Class B LP units into trust units. The holders of the Class B LP units are also entitled to distributions of cash from FAM LP and FAM II LP equal to the cash distributions paid to holders of trust units by the REIT.

The Class B LP units are designated as financial liabilities as at FVTPL and re-measured at the end of each reporting period by reference to the closing market price of the trust units into which they are exchangeable.

During the year ended December 31, 2014, the Trust declared distributions of $2.4 million (2013 - $1.9 million) on the Class B LP units, which were recorded as finance costs (note 21).

15. Warrants

	2014			2013		
	Warrants		Amount	Warrants		Amount
Balance, beginning of year	1,598,550	$	64	1,470,000	$	706
Issued	—		—	128,550		57
Fair value adjustment	—		(56)	—		(699)
Balance, end of year	1,598,550	$	8	1,598,550	$	64

On December 28, 2012, the Trust completed its IPO of offered units, raising gross proceeds of $58.8 million from the issuance of 5,880,000 trust units and 1,470,000 Warrants. On January 29, 2013, the underwriters of the Trust's IPO exercised their over-allotment option and purchased 128,550 Warrants at a price of $0.44 per warrant. Each whole Warrant entitles the holder to acquire one trust unit of the REIT at an exercise price of $10.50 per trust unit at any time until December 28, 2015. The fair value of the Warrants on initial recognition was measured based on the opening quoted market price of the Warrants. The Warrants are classified as financial liabilities as at FVTPL and re-measured at the end of each reporting period by reference to the closing market price of the Warrants.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

15. Warrants (continued)

As at December 31, 2014, the Trust has 1,598,550 warrants issued and outstanding (2013 - 1,598,550).

16. Accounts payable and other liabilities

		2014		2013
Trade payables and accrued liabilities	$	8,089	$	3,496
Prepaid rent		912		152
Tenant improvement payable		3,300		174
	$	12,301	$	3,822

Security deposits previously included within accounts payable and other liabilities have been retrospectively reclassified within provisions and other non-current liabilities on the consolidated statements of financial position. This revised classification is consistent with the long-term nature of the security deposits.

17. Income taxes

The Income Tax Act (Canada) contains legislation affecting the tax treatment of specified investment flow-through ("SIFT") trusts which include publicly-listed income trusts (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and the 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 are generally not subject to tax.

The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. The Trust has reviewed the SIFT Rules and has assessed their application to the Trust's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the Trust believes that it has met the REIT Conditions for the years ended December 31, 2014 and 2013, and accordingly is not subject to current income taxes. The Trust intends to continue to meet the REIT Conditions and to distribute all its taxable income to its unitholders. Accordingly, the Trust has not recognized any deferred income tax assets or liabilities at December 31, 2014 or December 31, 2013.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

18. Unitholders' equity

(a) *Trust units:*

The Trust is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the Trust and entitles the holder to an equal participation in distributions of the Trust. The trust units are redeemable at the option of the holder at any time.

The Trust is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. There were no preferred units created or issued during the years ended December 31, 2014 and 2013.

The following table summarizes the change in trust units during the years ended December 31, 2014 and 2013:

		2014		2013	
	Note	Units	Amount	Units	Amount
Balance, beginning of year		8,974,482	$ 77,993	5,880,000	$51,516
Issued on public offering	18c, 18d	1,955,000	17,302	2,564,500	23,081
Issued on private placement	18c	831,639	7,360	425,532	4,000
Issued in connection with the acquisition of investment properties	18b	2,794,363	20,036	—	—
Issue costs		—	(1,292)	—	(1,472)
Issued on exchange of Class B LP units to trust units		—	—	2,662	23
Distributions reinvested in trust units		380,311	3,133	101,788	845
Outstanding, end of year		14,935,795	$124,532	8,974,482	$77,993

(b) *Issuance of December 2014 trust units:*

On December 17, 2014, as partial consideration for the purchase of the Acquisition Properties (note 5), the Trust issued 2,794,363 trust units at fair value of $7.17 per trust unit for gross proceeds of $20.0 million.

18. Unitholders' equity (continued)

(c) Issuance of May 2014 trust units:

On May 13, 2014, in connection with the investment in the Partnership (note 6), the Trust completed a public offering of 1,955,000 trust units, inclusive of 255,000 trust units issued pursuant to the full exercise of the over-allotment option at a price of $8.85 per trust unit, for gross proceeds of approximately $17.3 million (the "May 2014 Offering").

Concurrent with the closing of the May 2014 Offering, the Trust issued 831,639 trust units on a private placement basis to Huntingdon, at a purchase price of $8.85 per trust unit for gross proceeds of $7.4 million.

After deducting issuance costs of $1.3 million, net proceeds of $23.4 million from the May 2014 Offering and the private placement were used to (i) fund the investment in the Partnership including the Mezzanine Loan (notes 6 and 7) and any additional amounts payable for closing costs, (ii) repay amounts drawn on the Trust's revolving credit facility, and (iii) for general corporate purposes.

(d) Issuance of August 2013 trust units:

On August 2, 2013, in connection with the acquisition of The Promontory (note 5), the Trust completed a public offering of 2,564,500 trust units, inclusive of 334,500 trust units issued pursuant to the full exercise of the over-allotment option at a price of $9.00 per trust unit for gross proceeds of approximately $23.1 million (the "August 2013 Offering").

Concurrent with the closing of the August 2013 Offering, the Trust issued 425,532 trust units in a private placement to Huntingdon, at a purchase price of $9.40 per trust unit for gross proceeds of $4.0 million.

After deducting issuance costs of $1.5 million, net proceeds of $25.6 million from the August 2013 Offering and private placement were used to (i) partially fund the acquisition of The Promontory, and (ii) to repay amounts drawn on the revolving credit facility.

18. Unitholders' equity (continued)

(e) Distribution reinvestment plan:

On March 21, 2013, the Trust implemented a distribution reinvestment plan (the "DRIP"). The DRIP came into effect with the distribution of $0.0625 per trust unit that was payable on May 15, 2013 to unitholders of record on April 30, 2013.

Eligible unitholders, which include holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution.

The Trust may initially issue up to 295,000 trust units of the Trust under the DRIP. During the year ended December 31, 2014, the Trust received approval from the TSX to reserve an additional 750,000 trust units of the REIT pursuant to the DRIP. The Trust may increase the number of trust units available to be issued under the DRIP at any time in its discretion subject to (a) the approval of the Trust's board of Trustees, (b) the approval of any stock exchange upon which the trust units trade, and (c) public disclosure of such increase.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

19. Distributions

Pursuant to the Declaration of Trust, the income of the Trust is distributed on dates and in amounts as determined by the Trustees. During the year ended December 31, 2014, the Trust declared monthly distributions of $0.0625 per unit. The distributions were paid on or about the 15th day of the month following declaration.

The following table summarizes the distributions declared for the years ended December 31, 2014 and 2013:

	2014		2013	
	Trust units	Class B LP units	Trust units	Class B LP units
Cash distributions	$ 7,386	$ 503	$ 5,137	$ 1,120
Distributions reinvested in trust units	1,066	1,861	273	814
Distributions declared	8,452	2,364	5,410	1,934
Less: distributions payable, end of year	(933)	(317)	(561)	(186)
Plus: distributions payable, beginning of year	561	186	—	—
Distributions paid or settled	$ 8,080	$ 2,233	$ 4,849	$ 1,748

The distributions declared during the year ended December 31, 2014 resulted in 356,465 trust units issued or issuable under the DRIP (2013 - 130,316).

20. General and administration

General and administration expenses for the years ended December 31, 2014 and 2013 are comprised of the following:

	2014	2013
Professional fees	$ 560	$ 685
Asset management fees	857	712
Trustee fees	278	321
Other	338	707
	$ 2,033	$ 2,425

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

21. Finance costs, net

Net finance costs for the years ended December 31, 2014 and 2013 are comprised of the following:

	Note		2014		2013
Mortgage interest		$	6,227	$	5,494
Defeasance costs			—		598
Distributions on Class B LP units	19		2,364		1,934
Accretion on vendor take-back loan			291		279
Interest on vendor take-back loan			276		275
Interest on revolving credit facility			166		247
Amortization of deferred transaction costs			253		196
Amortization of mark-to-market adjustment on mortgages	9		(221)		(343)
De-recognition of mark-to-market adjustment on mortgages	9		—		(725)
Loss (gain) on interest rate swaps	11		3,175		(1,786)
Interest income	7		(633)		—
		$	11,898	$	6,169

22. Fair value adjustments to financial instruments

During the years ended December 31, 2014 and 2013, the Trust recognized the following fair value gains to financial instruments:

	Note		2014		2013
Class B LP units	14	$	2,444	$	3,494
Warrants	15		56		699
		$	2,500	$	4,193

23. Related party transactions

In addition to information disclosed elsewhere in these consolidated financial statements, related party transactions during the years ended December 31, 2014 and 2013 are summarized below.

On December 28, 2012, the Trust entered into a management agreement (the “Management Agreement”) with Huntingdon, whereby Huntingdon as the Trust's manager (the "Manager") will provide the Trust with strategic and administrative, property management, leasing, acquisition and disposition, financing and construction management services necessary to manage the day-to-day operations of the Trust and its assets. The Manager will provide such services using its own employees, including the provision of key personnel to serve as the Chief Executive Officer and Chief Financial Officer of the Trust.

On August 12, 2014 and effective on November 4, 2014, the Management Agreement was amended pursuant to an arrangement whereby Slate, purchased all of the issued and outstanding shares of Huntingdon. As at December 31, 2014, the Manager held an approximate 34% interest in the Trust through the ownership of 5,073,818 Class B LP units and 1,687,251 trust units. As at December 31, 2013, the Manager held an approximate 29% interest in the Trust through the ownership of 2,977,132 Class B LP units (note 14) and 515,160 trust units (note 18).

The Management Agreement has an initial term of ten years and is renewable for further five year terms. Subject to termination provisions, the Manager will automatically be re-engaged at the expiration of each term.

In exchange for services received, the Trust will pay the Manager the following:

- an annual base management fee equal to 0.3% of the gross book value of the assets of the Trust and its consolidated subsidiaries, less the amount of any restricted cash;

- a property management fee equal to 3.0% of the Trust’s annual gross revenues received;

- reimbursement for all out-of-pocket property operating costs and expenses incurred by the Manager directly attributable to the management of the Trust’s properties. The reimbursements will include landlord reimbursements and recoveries as well as property administration fees allowable under the tenants leases relating to assets or resources of the Manager that are directly attributable to the management of the Trust’s properties, including those related to employment expenses of property-related personnel and expenses related to on-site offices; and exclude corporate-level general and administrative expenses incurred by the Manager;

- a leasing fee equal to 5.0% of the base rent for all new leases and 2.0% of base rent for all renewals of existing leases and expansion of leased premises;

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

23. Related party transactions (continued)

- an acquisition fee equal to (i) 1.0% of the purchase price on the first $100 million of properties acquired in each fiscal year; (ii) 0.75% of the purchase price on the next $100 million of properties acquired in each fiscal year; and (iii) 0.50% of the purchase price on properties in excess of $200 million acquired in each fiscal year; provided that no acquisition fee will be payable in respect of the Initial Properties or any properties owned by the Manager or any of its subsidiaries at December 28, 2012, the date of the IPO if such properties are subsequently acquired by the Trust;

- a financing fee equal to 0.25% of the principal amount and associated costs of any debt financing or refinancing, including any increase or refinancing of the revolving credit facility; and

- a construction management fee equal to 5.0% of all costs incurred on any construction activity undertaken by the Trust. Construction activities include all tenant and building improvements undertaken by the Trust but exclude maintenance capital expenditures.

During the years ended December 31, 2014 and 2013, the Trust incurred the following costs in connection with the Management Agreement:

		2014		2013
Property management fees	$	936	$	752
Asset management fees		857		712
Leasing, financing, and construction management fees		374		472
Acquisition fees		103		823
	$	2,270	$	2,759

Property administration fees are allowable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the Trust's properties. Property administration fees were $1.3 million for the year ended December 31, 2014 (2013 - $0.8 million). These fees are recovered from tenants by the Trust and payable by the Trust to the Manager under the terms of the Management Agreement. As at December 31, 2014, included in accounts payable and other liabilities is an amount owing to the Manager of $1.0 million (2013 - $0.2 million).

As at December 31, 2014, included in accounts receivable is a receivable from the Manager of $3.7 million related to the Acquisition Properties (notes 5 and 8).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

24. Special Committee related expenses

In February 2014, the Trust established a Special Committee to assess the implications of Huntingdon's strategic review on the Trust. Special Committee related expenses include legal, financial advisory and trustee fees. During the year ended December 31, 2014, the Trust incurred $1.9 million in Special Committee related expenses.

		2014
Legal	$	282
Financial advisory		1,415
Trustee fees		130
Other		49
	$	1,876

25. Fair values

The Trust uses various methods in estimating the fair values of assets and liabilities recognized and measured at fair value in its consolidated financial statements. The Trust has a management team that has overall responsibility for overseeing all significant fair value measurements. Significant unobservable inputs and valuation adjustments are reviewed on a regular basis. In addition, when third party information is used to measure fair values, supporting evidence is obtained and reviewed to ensure compliance with the IFRS requirements. Significant valuation issues are reported to the Audit Committee. The following categories in the fair value hierarchy reflect the significance of inputs used in determining fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair values of the Trust's cash, accounts receivable and accounts payable and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. The fair value of the Trust's revolving credit facility approximates its carrying value since the revolving credit facility bears interest at floating market interest rates. Mortgages are measured at amortized cost, and their fair values are based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The note receivable and the vendor take-back loan are measured at amortized cost, for which fair values approximate face value due to the relatively short period to maturity.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

25. Fair values (continued)

The following tables summarize the fair value measurements recognized on the consolidated statement of financial position or disclosed in the Trust's consolidated financial statements, categorized by fair value hierarchy:

December 31, 2014	Note	Carrying amount	Level 1	Fair Value Level 2	Level 3
Recorded at fair value:					
Investment properties	4	$ 448,012	$ —	$ —	$ 448,012
Interest rate swap liabilities	11	(2,239)	—	(2,239)	—
Class B LP units	14	(38,460)	—	(38,460)	—
Warrants	15	(8)	(8)	—	—
Fair values disclosed:					
Note receivable	7	6,559	—	—	6,559
Mortgages	9	(269,908)	—	—	(273,696)
Vendor take-back loan	12	(9,180)	—	—	(9,180)

December 31, 2013	Note	Carrying amount	Level 1	Fair Value Level 2	Level 3
Recorded at fair value:					
Investment properties	4	$ 265,367	$ —	$ —	$ 265,367
Interest rate swap asset	11	1,505	—	1,505	—
Interest rate swap liabilities	11	(569)	—	(569)	—
Class B LP units	14	(25,871)	—	(25,871)	—
Warrants	15	(64)	(64)	—	—
Fair values disclosed:					
Mortgages	9	(130,058)	—	—	(133,465)
Vendor take-back loan	12	(8,889)	—	—	(8,973)

Transfers between the levels of the fair value hierarchy are deemed to have occurred as of the date of the event or change in circumstances that caused the transfer. During the years ended December 31, 2014 and 2013, there were no transfers between the levels of the fair value hierarchy.

26. Risk management

In the normal course of business, the Trust is exposed to financial risks that arise from its financial instruments. The mandate of the Trust's Board of Trustees includes identifying and managing the Trust's risk exposure. Other than the use of interest rate swaps related to its floating rate mortgages payable, the Trust does not use hedging transactions to manage risk. As a part of the overall operation of the Trust, management takes steps to avoid undue concentrations of risks. The following describes the types of risks that the Trust is exposed to and its objectives and policies for managing those risk exposures:

Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its debt and other financial obligations as they mature.

The principal liquidity needs of the Trust arise from working capital requirements; debt servicing and repayment obligations, which include mortgages payable, amounts drawn on the revolving credit facility and a vendor take-back loan; distributions to unitholders; obligations to redeem outstanding puttable trust units at the option of the unitholders; planned funding of maintenance capital expenditures and leasing costs; and future investment property acquisition funding requirements.

The liquidity needs of the Trust are funded by cash flows from operating the Trust's investment property portfolio and available credit facilities, with the exception of debt repayment obligations, investment property acquisition funding requirements and obligations to redeem puttable trust units. These are funded by refinancing the Trust's maturing debt, financing unencumbered properties, or future issuances of trust units and debentures. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy.

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the Trust or on any terms at all. The risk associated with the refinancing of maturing debt is mitigated by matching debt maturities with lease renewals to optimize the value of the assets with the leverage to achieve the best value for pricing. In addition, the Trust staggers the maturity dates of the Trust's mortgage portfolio over a number of years.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

26. Risk management (continued)

The following table summarizes the estimated contractual maturities of the Trust's financial liabilities excluding the interest rate swap liabilities as at December 31, 2014:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Accounts payable and other liabilities[(a)]	$ 11,847	$ 11,847	$ —	$ —	$ —
Mortgages payable -principal and interest[(a)]	306,326	28,910	181,656	47,855	47,905
Vendor take-back loan -principal and interest[(a)]	9,316	9,316	—	—	—
Revolving credit facility[(b)]	1,500	1,500	—	—	—
Security deposits	2,459	486	737	905	331
Total	$ 331,448	$ 52,059	$ 182,393	$ 48,760	$ 48,236

(a) The amounts for accounts payable and other liabilities excludes accrued interest on mortgages payable and vendor take-back loan which is included in the contractual payments of the mortgages payable and vendor take-back loan, respectively.

(b) The amounts for the revolving credit facility is for the principal amount only.

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair values of the Trust's financial instruments.

Interest rate cash flow risk is minimized by the Trust by having a portion of its mortgages on fixed term arrangements. In addition, the maturity dates of mortgages are staggered over a number of years to mitigate the exposure in any one year. The Trust also utilizes interest rate swaps to fix interest rates on a portion of its floating rate mortgages (note 11).

As at December 31, 2014 and 2013, excluding the mortgages associated with interest rate swaps, the Trust had a floating rate mortgage of $144.0 million (2013 - $nil). As at December 31, 2014, the Trust had $1.5 million outstanding on the revolving credit facility (2013 - $1.8 million). Had the floating interest rates increased or decreased by 100 bps, the increase or decrease, respectively, on finance costs for the year ended December 31, 2014 would have been $0.1 million (2013 - nominal).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

26. Risk management (continued)

Credit risk:

Credit risk is the risk that the Trust incurs a loss as a result of a counterparty not fulfilling its financial obligation. Credit risk is associated with the Trust's cash, restricted cash and accounts receivable, and note receivable. The Trust controls risks by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings and investing cash and cash equivalents in large financial institutions with strong credit ratings. The Trust has credit policies to address credit risk, which are applied during lease negotiations and may include the analysis of the financial position of the debtor, and a review of credit limits, credit history and credit performance. The credit risk associated with the note receivable is mitigated by obtaining collateral in the form of additional equity ownership in the partnership (note 7).

An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. At December 31, 2014, $0.1 million (2013 - $nil) of allowance for doubtful accounts or any other impairment provisions was recognized in the consolidated financial statements.

27. Capital management

The capital structure of the Trust at December 31, 2014 and 2013 is comprised of the following:

	2014	2013
Mortgages payable	$ 269,908	$ 130,058
Vendor take-back loan	9,180	8,889
Revolving credit facility	1,398	1,659
Class B LP units	38,460	25,871
Warrants	8	64
Unitholders' equity	140,094	99,146
	$ 459,048	$ 265,687

The Trust manages its capital in order to safeguard its ability to continue as a going concern, ensure that returns are provided to unitholders, and ensure an appropriate balance of risks and returns.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

27. Capital management (continued)

The Trust's overall capital management strategy addresses the following considerations:

- The equity component of acquired investment properties is primarily funded from the proceeds of trust units or debt.
- Mortgage financing is arranged to optimize the leveraged returns from the investment property portfolio.
- The Trust will generally endeavour to obtain a fixed rate of interest on mortgage financing.
- Mortgage due dates are structured to reflect the nature of the leases and the properties being financed and debt maturity dates will be staggered, to the extent practicable, in order to manage refinancing risk.

The Trust monitors capital from time to time using a variety of measures which are applicable to the real estate industry. Monitoring procedures are typically performed as a part of the overall management of operations and are performed with the goal of enhancing the ability of the Trust to access capital and/or reduce the cost of capital.

In order to maintain or adjust the capital structure, the Trust may issue trust units, debentures or mortgage debt; adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce debt.

28. Supplemental cash flow information

The following table summarizes the items not affecting cash in the consolidated statements of cash flows during the years ended December 31, 2014 and 2013:

	Note	2014	2013
Amortization of leasing expenses and straight-line rent, net	4	$ (311)	$ (475)
Finance costs, net	21	11,898	6,169
Share of net income from equity accounted investment	6	(1,501)	—
Fair value adjustments to financial instruments	22	(2,500)	(4,193)
Fair value adjustments to investment properties	4	4,620	(1,232)
Loss on disposal of investment properties	4	—	175
Distributions on Class B LP units reinvested in trust units	19	(2,047)	(628)
		$ 10,159	$ (184)

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

29. Operating leases

Leases as lessee:

The Trust leases land from a local airport authority in Western Canada. This lease contains rights of renewals and of first refusal, and expires in 2036. The agreement provides for the recalculation of lease payments every 5 years to reflect market rentals.

During the year ended December 31, 2014, approximately $0.4 million (2013 - $0.4 million) was recognized as an expense in the consolidated statement of income and comprehensive income in respect of such operating lease.

Future minimum operating lease payments under the lease as at December 31, 2014, using current established rates, are as follows:

Not later than 1 year	$	366
Later than 1 year and not later 5 years		1,464
Later than 5 years		6,061

Leases as lessor:

The Trust leases its investment properties to tenants under operating leases. The future minimum rental receipts under non-cancellable tenant leases as at December 31, 2014 are as follows:

Not later than 1 year	$	29,358
Later than 1 year and not later 5 years		77,523
Later than 5 years		67,083

30. Subsequent events

On January 6, 2015, the Trust announced a normal course issuer bid ("NCIB") which allows, for the period commencing on January 9, 2015 to January 8, 2016, the acquisition of trust units subject to a daily limit of 5,257 units. During the period from January 9, 2015 to March 5, 2015, the Trust did not repurchase any trust units under the NCIB.