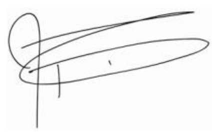
Management's responsibility for financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee Industrial Real Estate Investment Trust. These financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

The Board of Trustees is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee, which is comprised of Trustees, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full and unrestricted access to the audit committee, with or without management present.



Randy Cameron
President and Chief Executive Officer

John Todd
Chief Financial Officer

Toronto, Ontario, February 25, 2014

Independent Auditor's Report

To the Unitholders of
Dundee Industrial Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Dundee Industrial Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of net income (loss) and comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2013 and the period from July 20, 2012 to December 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Industrial Real Estate Investment Trust and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the year ended December 31, 2013 and the period from July 20, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 25, 2014

Consolidated balance sheets

(in thousands of Canadian dollars)

	Note	**December 31, 2013**	December 31, 2012
Assets			
NON-CURRENT ASSETS			
Investment properties	9	**$ 1,540,791**	$ 1,147,410
Other non-current assets	11	**39,416**	36,595
Deferred income tax assets	12	**1,075**	-
		1,581,282	1,184,005
CURRENT ASSETS			
Amounts receivable	13	**4,051**	2,860
Prepaid expenses and other assets		**4,214**	3,378
Cash and cash equivalents	14	**258**	2,306
		8,523	8,544
Total assets		**$ 1,589,805**	$ 1,192,549
Liabilities			
NON-CURRENT LIABILITIES			
Debt	14, 15	**$ 728,341**	$ 548,959
Subsidiary redeemable units	16	**144,096**	181,426
Tenant security deposits		**9,357**	5,750
Conversion feature on the convertible debentures	15	**973**	6,228
Deferred Unit Incentive Plan	17	**1,028**	51
		883,795	742,414
CURRENT LIABILITIES			
Debt	15	**112,041**	100,886
Amounts payable and accrued liabilities	18	**19,949**	20,999
Distributions payable	19	**3,204**	2,039
		135,194	123,924
Total liabilities		**1,018,989**	866,338
Equity			
Unitholders' equity		**546,680**	351,299
Retained earnings (deficit)		**24,136**	(25,088)
Total equity		**570,816**	326,211
Total liabilities and equity		**$ 1,589,805**	$ 1,192,549

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Trustees of Dundee Industrial Real Estate Investment Trust:

Joanne Ferstman
Trustee

Vincenza Sera
Trustee

Consolidated statements of net income (loss) and comprehensive income (loss)

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2013	Period from July 20, 2012 to December 31, 2012
Investment properties revenue		**$ 142,944**	$ 17,202
Investment properties operating expenses		**44,017**	4,667
Net rental income		**98,927**	12,535
Other income and expenses			
General and administrative		**(7,346)**	(855)
Fair value adjustments to investment properties	9	**1,151**	6,048
Acquisition related costs	7	**(11,018)**	(11,528)
Interest:			
Debt	21	**(30,100)**	(3,244)
Subsidiary redeemable units	21	**(11,295)**	(2,711)
Debt settlement gains		**36**	-
Depreciation and amortization		**(46)**	-
Interest and fee income		**244**	16
Fair value adjustments to financial instruments	22	**44,588**	(21,134)
Income (loss) before income taxes		**85,141**	(20,873)
Deferred income taxes	12	**(1,160)**	-
Net income (loss) and comprehensive income (loss)		**$ 83,981**	$ (20,873)
Net income (loss) and comprehensive income (loss) attributable to:			
Unitholders		**$ 84,264**	$ (20,873)
Non-controlling interest		**(283)**	-
		$ 83,981	$ (20,873)

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars, except number of units)

		Attributable to unitholders of the Trust						
	Note	Number of Units		Unitholders' equity		Retained earnings (deficit)		Total
Balance at January 1, 2013		**36,257,538**	**$**	**351,299**	**$**	**(25,088)**	**$**	**326,211**
Net income for the year		**-**		**-**		**84,264**		**84,264**
Distributions paid and payable	19	**-**		**-**		**(35,040)**		**(35,040)**
Public offering of REIT Units	20	**10,465,000**		**115,115**		**-**		**115,115**
REIT Units issued for C2C acquisition	7, 20	**7,460,654**		**78,785**		**-**		**78,785**
REIT Units issued for C2C amalgamation	7, 20	**387,399**		**3,618**		**-**		**3,618**
Distribution Reinvestment Plan	19, 20	**323,789**		**2,944**		**-**		**2,944**
Unit Purchase Plan	20	**2,784**		**26**		**-**		**26**
REIT Units issued for vested deferred trust units	17, 20	**24,562**		**254**		**-**		**254**
Issue costs	20	**-**		**(5,361)**		**-**		**(5,361)**
Balance at December 31, 2013		**54,921,726**	**$**	**546,680**	**$**	**24,136**	**$**	**570,816**

	Attributable to unitholders of the Trust						
(in thousands of Canadian dollars, except number of units)	Number of Units		Unitholders' equity		Deficit		Total
Balance at July 20, 2012	-	$	-	$	-	$	-
Net loss for the period	-		-		(20,873)		(20,873)
Distributions paid and payable	-		-		(4,215)		(4,215)
Public offering of REIT Units	33,895,000		347,092		-		347,092
REIT Units issued for KingSett transaction	2,358,491		25,000		-		25,000
Distribution Reinvestment Plan	4,047		44		-		44
Issue costs	-		(20,837)		-		(20,837)
Balance at December 31, 2012	36,257,538	$	351,299	$	(25,088)	$	326,211

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)

	Note	Year ended December 31, 2013	Period from July 20, 2012 to December 31, 2012
Generated from (utilized in) operating activities			
Net income (loss)		**$ 83,981**	$ (20,873)
Non-cash items:			
Amortization of financing costs and lease incentives	9, 21	**926**	100
Depreciation of property and equipment		**42**	-
Amortization of fair value adjustments on debt	21	**(3,298)**	(819)
Deferred unit compensation expense	17	**1,243**	46
Straight-line rent adjustment	11	**(3,135)**	(400)
Fair value adjustments to investment properties	9	**(1,151)**	(6,048)
Fair value adjustments to financial instruments	22	**(44,588)**	21,134
Reinvestment in subsidiary redeemable units	16, 21	**938**	2,711
Deferred income taxes	12	**1,160**	-
Investment in lease incentives and initial direct leasing costs	9	**(8,850)**	(562)
Debt settlement gains		**(36)**	-
Transaction costs included in net income (loss)	7	**11,018**	11,528
Interest paid on subsidiary redeemable units	21	**10,345**	-
Change in non-cash working capital	24	**1,126**	3,424
		49,721	10,241
Generated from (utilized in) investing activities			
Additions to property and equipment	11	**(78)**	(2)
Investment in investment properties	9	**(2,215)**	-
Transaction costs paid		**(17,002)**	(7,831)
Acquisition of investment properties, net of cash acquired	7, 8	**(91,223)**	(486,010)
		(110,518)	(493,843)
Generated from (utilized in) financing activities			
Proceeds from mortgage financings, net of financing costs	15	**112,269**	34,530
Mortgage principal repayments		**(18,163)**	(1,223)
Mortgage lump sum repayments		**(26,909)**	-
Payment made for the tender of 6.75% Debentures	15	**(705)**	-
Drawn on unsecured non-revolving bridge loan facility	15	**-**	32,500
Financing costs on unsecured non-revolving bridge facility		**-**	(130)
Repayment of unsecured non-revolving bridge loan facility	15	**(32,500)**	-
Convertible debentures placed	15	**-**	86,250
Issue costs on convertible debentures	15	**-**	(3,798)
Draw on demand revolving credit facility	15	**12,114**	18,500
Repayment of demand revolving credit facility	15	**(10,000)**	(8,500)
Financing costs on demand revolving credit facility		**-**	(420)
Repayment of promissory notes payable	15	**(42,000)**	-
Distributions paid on Units	19	**(30,931)**	(2,132)
Interest paid on subsidiary redeemable units	21	**(10,345)**	-
Cash proceeds on issue of Units	20	**115,141**	347,092
Financing and unit issue costs paid	20	**(9,222)**	(16,761)
		58,749	485,908
Change in cash and cash equivalents		**(2,048)**	2,306
Cash and cash equivalents, beginning of period		**2,306**	-
Cash and cash equivalents, end of period		**$ 258**	$ 2,306

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except as otherwise noted and for unit or per unit amounts)

Note 1

ORGANIZATION

Dundee Industrial Real Estate Investment Trust ("Dundee Industrial" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dundee Industrial include the accounts of Dundee Industrial and its consolidated subsidiaries. Dundee Industrial's portfolio comprises industrial properties located in urban centres across Canada. A subsidiary of Dundee Industrial performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DIR.UN". Dundee Industrial's consolidated financial statements for the year ended December 31, 2013 were authorized for issuance by the Board of Trustees on February 25, 2014, after which date they may only be amended with the Board of Trustees' approval.

Equity is described in Note 20; however, for simplicity, throughout the Notes, reference is made to the following:

- "REIT Units", meaning the REIT Units
- "Special Trust Units", meaning units that are exchangeable for REIT Units, including the LP Class B Units
- "Units", meaning REIT Units and Special Trust Units, collectively

Subsidiary redeemable units classified as a liability are described in Note 16; however, for simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP Class B Units of Dundee Industrial Limited Partnership ("DILP").

On July 20, 2012, the Trust was formed with issuance of one Unit to Dundee Property Limited Partnership, a subsidiary of Dundee Real Estate Investment Trust ("Dundee REIT") for cash at $10 per unit. During the period from July 20, 2012 to October 4, 2012, the Trust had no operating activity. On October 4, 2012, the Trust completed its initial public offering and commenced operations.

At December 31, 2013, Dundee REIT, directly and indirectly through its subsidiaries, held all 16,282,096 (December 31, 2012 – 16,198,747) subsidiary redeemable units.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all years presented, unless otherwise stated.

Basis of presentation

The Trust prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dundee Industrial and its subsidiaries. Subsidiaries are all wholly owned entities (including structured entities) over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

Joint arrangements

The Trust enters into joint arrangements through joint ventures and co-ownerships. A joint arrangement is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as joint ventures. In a co-ownership arrangement the Trust owns jointly one or more investment properties with another party and has direct rights to the investment property, and obligations for the liabilities relating to the co-ownership.

The Trust reports its interests in joint ventures using the equity method of accounting whereby the investment is carried on the consolidated balance sheet at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investment, less any identified impairment losses. The Trust's share of profits and losses is recognized in the share of net earnings from equity accounted investment in the consolidated statement of comprehensive income (loss). Dilution gains and losses arising from changes in the Trust's interest in equity accounted investments are recognized in the consolidated statement of comprehensive income (loss). If the Trust's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Trust has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment. The Trust does not have any joint ventures at this time.

The Trust reports its interests in co-ownerships by accounting for its share of the assets, liabilities, revenues and expenses. Under this method, the Trust's consolidated financial statements reflect only the Trust's share of the assets, liabilities, revenues and expenses of the co-ownership in the respective lines in the consolidated financial statements.

Note 3

ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

Investment properties

Investment properties are initially recorded at cost, including related transaction costs when incurred in connection with asset acquisitions, and include industrial properties held to earn rental income and/or for capital appreciation. Investment properties and properties under development are measured at fair value, determined based on available market evidence, at the consolidated balance sheet date. Related fair value gains and losses are recorded in fair value adjustments to investment properties in the period in which they arise in the consolidated statement of comprehensive income (loss). The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated balance sheet date, less future estimated cash outflows in respect of such properties. To determine fair value, the Trust first considers whether it can use current prices in an active market for a similar property in the same location and condition, and which is subject to similar leases and other contracts. The Trust has concluded that there is insufficient market evidence on which to base investment property valuation using this approach, and has therefore determined that the use of the income approach is more appropriate. The income approach is one in which the fair value is estimated by capitalizing the net rental income that the property can reasonably be expected to produce over its remaining economic life. The income approach is derived from two methods: the overall capitalization rate method, whereby the stabilized net operating income is capitalized at the requisite overall capitalization rate, and/or the discounted cash flow method, in which the income and expenses are projected over the anticipated term of the investment plus a terminal value discounted using an appropriate discount rate. Management applies judgment in determining the value which is most representative of the fair value for its investment properties. Active properties under development are measured using a discounted cash flow model, net of costs to complete, as at the consolidated balance sheet date. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties. Lease incentives, which include costs incurred to make leasehold improvements to tenants' space and cash allowances provided to tenants, are added to the carrying amount of investment properties and are amortized on a straight-line basis over the term of the lease as a reduction of investment properties revenue.

Segment reporting

The Trust owns and operates investment properties located in Canada. In measuring performance, the Trust considers its operations as a whole and, accordingly, has a single reportable segment for disclosure purposes.

Other non-current assets

Other non-current assets include deposits, property and equipment, straight-line rent receivable, and goodwill. Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of property and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their expected useful lives of four to ten years. The residual values and useful lives of all assets are reviewed and adjusted, if appropriate, at least at each financial year-end. Cost includes expenditures that are directly attributable to the acquisition and expenditures for replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance are charged to comprehensive income (loss) during the financial period in which they are incurred.

Other non-current assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income (loss) in the year the asset is derecognized.

Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Trust's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Trust's share of the net assets acquired, the difference is recognized directly in the profit or loss for the period as an acquisition gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the consideration transferred over and above the Trust's interest in fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored by the Trust at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Revenue recognition

The Trust accounts for tenant leases as operating leases given that it has retained substantially all of the risks and benefits of ownership of its investment properties. Revenues from investment properties include base rents, recoveries of operating expenses including property taxes, lease termination fees, parking income and incidental income. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in other non-current assets, is recorded for the difference between the rental revenue recognized and the contractual amount received. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Other revenues are recorded as earned.

Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of retained earnings (increase in deficit).

Income taxes

Dundee Industrial is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust expects to continue to distribute its taxable income and to qualify as a real estate investment trust ("REIT") for the foreseeable future.

For one of the Trust's subsidiaries, income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Deferred income taxes are computed using substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle.

Unit-based compensation plan

As described in Note 17, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred trust units to trustees, officers, employees and affiliates and their service providers (including the asset manager). Deferred units are recorded as a liability, and compensation expense is recognized over the vesting period at amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT Units, with changes in fair value being recognized in comprehensive income (loss) as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are only settled in REIT Units.

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. Deposits are included in other non-current assets.

Financial instruments

Designation of financial instruments

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

	Classification	Measurement
Financial assets		
Amounts receivable	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages	Other liabilities	Amortized cost
Convertible debentures – host instrument	Other liabilities	Amortized cost
Convertible debentures – conversion feature	Fair value through profit or loss	Fair value
Subsidiary redeemable units	Other liabilities	Amortized cost
Demand revolving credit facility	Other liabilities	Amortized cost
Unsecured non-revolving bridge facility	Other liabilities	Amortized cost
Tenant security deposits	Other liabilities	Amortized cost
Deferred Unit Incentive Plan	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Promissory notes payable	Other liabilities	Amortized cost

Financial assets

The Trust classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs, and subsequently are measured at amortized cost.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the financial asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of comprehensive income (loss) within investment properties operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against investment properties operating expenses in the consolidated statements of comprehensive income (loss). Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible. 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 to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Trust transfers substantially all risks and rewards of ownership.

Financial liabilities

The Trust classifies its financial liabilities on initial recognition as either fair value through profit or loss or other liabilities measured at amortized cost. Financial liabilities are initially recognized at fair value (less any related transaction costs). Financial liabilities classified as other liabilities are measured at amortized cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the financial liabilities are recognized in comprehensive income (loss) over the expected life of the obligation. The Trust's financial liabilities that are classified as fair value through profit or loss are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value being recognized in comprehensive income (loss).

Mortgages and promissory notes payable are initially recognized at fair value less any related transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages and promissory notes payable are recognized at amortized cost.

On issuance, convertible debentures are separated into two financial liability components: the host instrument and the conversion feature. This presentation is required because the conversion feature permits the holder to convert the debenture into REIT Units which, except for the available exemption under International Accounting Standard ("IAS") 32, "Financial Instruments: Presentation" ("IAS 32"), would normally be presented as a financial liability because of the redemption feature attached to the REIT Units. Both components are measured based on their respective estimated fair values at the date of issuance. The fair value of the host instrument is net of any related transaction costs. The fair value of the host instrument is estimated based on the present value of future interest and principal payments due under the terms of the debenture using a discount rate for similar debt instruments without a conversion feature. Subsequent to initial recognition, the host instrument is accounted for at amortized cost. The conversion feature is accounted for at fair value with changes in fair value recognized in comprehensive income (loss) each period. When the holder of a convertible debenture converts its interest into REIT Units, the host instrument and conversion feature are reclassified to unitholders' equity in proportion to the units converted over the total equivalent units outstanding.

Deferred units and the subsidiary redeemable units are measured at amortized cost because they are settled in REIT Units, which in accordance with IAS 32 are considered liabilities. To give effect to measuring these at amortized cost, IAS 39 requires that the deferred units and subsidiary redeemable units are remeasured each period based on the fair value of REIT Units, with changes in the liabilities being recorded in comprehensive income (loss). Distributions paid on subsidiary redeemable units are recorded as interest expense, in comprehensive income (loss) and as a financing activity in the consolidated statement of cash flows. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Interest on debt

Interest on debt includes coupon interest, amortization of discounts, premiums and mark-to-market adjustments allocated to debt, and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Finance costs are amortized to interest expense unless they relate to a qualifying asset.

Equity

The Trust presents REIT Units as equity, notwithstanding the fact that the Trust's REIT Units meet the definition of a financial liability. Under IAS 32, the REIT Units are considered a puttable financial instrument because of the holder's option to redeem REIT Units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date and 100% of the closing market price on the redemption date. The total amount payable by Dundee Industrial in any calendar month will not exceed $50 unless waived by Dundee Industrial's Board of Trustees at their sole discretion. The Trust has determined that the REIT Units can be presented as equity and not financial liabilities because the REIT Units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- REIT Units entitle the holder to a pro rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets.
- REIT Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.
- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the REIT Units for cash or another financial asset, the REIT Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the REIT Units over their lives are based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units.

REIT Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issue of REIT Units are recognized directly in unitholders' equity as a reduction of the proceeds received.

Provisions

Provisions for legal claims are recognized when: the Trust has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amount of the asset or liability affected.

Critical accounting judgments

Following are the critical judgments used in applying the Trust's accounting policies that have the most significant effect on the amounts in the consolidated financial statements:

Investment properties

Critical judgments are made with respect to the fair values of investment properties. The fair values of investment properties are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified external valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, 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.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property.

Business combinations

Accounting for business combinations under IFRS 3, "Business Combinations" ("IFRS 3"), only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. Judgment is used by management in determining if the acquisition of an individual property qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Trust applies judgment when considering the following:

- whether the investment property or properties are capable of producing outputs
- whether the market participant could produce outputs if missing elements exist

In particular, the Trust considers the following:

- whether employees were assumed in the acquisition
- whether an operating platform has been acquired

Currently, the Trust classifies an acquisition as an asset acquisition when it acquires properties or a portfolio of properties, and does not assume employees or does not acquire an operating platform.

Impairment

IAS 36, "Impairment Testing", requires management to use judgment in determining the recoverable amount of assets tested for impairment, including goodwill. All of the Trust's goodwill balance is allocated to the industrial properties group of cash-generating units (herein referred to as the goodwill CGU). The recoverable amount of the Trust's goodwill CGU is determined based on the value-in-use approach. These calculations use cash flow projections forecasted out for a ten-year period, consistent with the internal financial budgets approved by management on a property-by-property basis. The key assumptions used in determining the value-in-use of the goodwill CGU are the estimated growth rate, discount rate and terminal rate. In arriving at the growth rate, the Trust considers past experience and inflation, as well as industry trends. The Trust utilizes weighted average cost of capital ("WACC") to determine the discount rate and terminal rate. The WACC reflects specific risks that would be attributable to the Trust. As the Trust is not subject to tax, no adjustment is required to adjust the WACC on a pre-tax basis.

Estimates and assumptions

The Trust makes estimates and assumptions that affect carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of earnings for the period. Actual results could differ from these estimates. The estimates and assumptions that are critical in determining the amounts reported in the consolidated financial statements relate to the following:

Valuation of investment property

Critical assumptions relating to the valuation of investment properties at fair value include the receipt of contractual rents, expected future market rents, renewal rates, maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and recent investment property transactions. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment properties may change materially.

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the Deferred Unit Incentive Plan, the conversion feature of the convertible debenture and the fair value disclosure of the mortgages, demand revolving credit facility, promissory notes payable, unsecured non-revolving bridge facility and convertible debentures. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units and market interest rates.

For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, deposits, distributions payable and the demand revolving credit facility, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of mortgages are determined based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of convertible debentures uses quoted market prices from an active market.

Note 5

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Financial instruments: disclosures

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended to require annual disclosure of information on rights to offset financial instruments and related arrangements. The Trust adopted this amendment effective January 1, 2013. The amendments to IFRS 7 had no impact on the amounts recognized in the Trust's consolidated financial statements. New disclosures are required for all recognized financial instruments that are offset in accordance with IAS 32, "Financial Instruments: Presentation" ("IAS 32"). They also apply to recognized financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether the financial instruments are offset in accordance with IAS 32. The adoption of this amendment did not result in any additional disclosures in the Trust's consolidated financial statements.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces the guidance on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"), and SIC-12, "Consolidation – Special Purpose Entities". IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure 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 accounting requirements for consolidation have remained largely consistent with IAS 27. The Trust assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

Joint arrangements

IFRS 11, "Joint Arrangements" ("IFRS 11"), supersedes IAS 31, "Interests in Joint Ventures", and requires joint arrangements to be classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, the Trust recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") (amended in 2011). The other amendments to IAS 28 did not affect the Trust. The Trust has classified its joint arrangement and concluded that the adoption of IFRS 11 on January 1, 2013 did not result in any changes in the accounting for its joint arrangement.

Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates, including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). The Trust adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 did not result in any additional disclosures in the Trust's consolidated financial statements.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Trust adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Trust to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Furthermore, adoption of this standard has led to the inclusion of additional fair value disclosures for financial instruments in Note 28.

Presentation of items of other comprehensive income

The Trust has adopted the amendments to IAS 1, "Presentation of Items of Financial Statements", effective January 1, 2013. These amendments required the Trust to group other comprehensive income items by those that will be reclassified subsequently to the consolidated statement of net income (loss) and comprehensive income (loss) and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income (loss).

Impairment of assets

The IASB published an amendment to IAS 36, "Impairment of Assets" ("IAS 36"), in May 2013 on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs that had been included in IAS 36 by the issue of IFRS 13. The amendment was not mandatory for the Trust until January 1, 2014; however, the Trust decided to early adopt the amendment effective as of January 1, 2013.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

The following are future accounting policy changes to be implemented by the Trust in future years:

IFRS 9, "Financial Instruments" ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and updated and further amended in October 2010 and November 2013. It replaces the parts of IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than the consolidated statement of net income (loss), unless this creates an accounting mismatch. IFRS 9 was amended to (i) include guidance on hedge accounting; (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (without having to adopt the remainder of IFRS 9); and (iii) remove the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption. The Trust is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 in the accounting period beginning on or after January 1, 2015. The Trust will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRIC 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with 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 confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The Trust is currently assessing the impact on the consolidated financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Trust.

Note 7

BUSINESS COMBINATIONS

Business combination for the year ended December 31, 2013

On May 15, 2013, the Trust acquired 16,634,679 common shares representing approximately 95% of the outstanding common shares of C2C Industrial Properties Inc. ("C2C" and the "C2C Portfolio"). The C2C Portfolio comprises 25 properties and one parcel of land totalling 2.5 million square feet of gross leasable area located primarily in Halifax, Edmonton, the Greater Toronto Area and the Greater Montreal Area. The purchase price was satisfied with the issuance of 7,460,654 REIT Units valued at $78,785 based on the closing price of the Trust's Units on the TSX on May 15, 2013. On closing, the fair value of the net identifiable assets and liabilities amounted to $82,877.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values on the date of acquisition:

Investment properties	$	220,239
Deferred income tax assets		2,235
Prepaid expenses and other assets		1,630
Cash and cash equivalents		1,592
Amounts payable and accrued liabilities		(1,918)
Tenant security deposits		(1,567)
Deferred revenue		(1,053)
Assumed debt at fair value		(137,228)
Conversion feature on the convertible debentures		(1,053)
Total identifiable net assets and liabilities		82,877
Non-controlling interest		(4,092)
Fair value of consideration	$	78,785

Acquisition related costs for the C2C Portfolio totalled $11,018. On July 19, 2013, the Trust issued 387,399 REIT Units to purchase the remaining 5% of outstanding common shares of C2C by way of an amalgamation and, as a result, the non-controlling interest of $3,809 was reduced to $nil with a corresponding increase to unitholders' equity. Refer to Note 20.

During the year ended December 31, 2013, the Trust recognized $15,363 of revenue and $4,628 of comprehensive income before fair value adjustments and acquisition related costs, related to the acquisition of the C2C Portfolio. Had the acquisition occurred on January 1, 2013, the Trust would have recognized an additional $9,218 of revenue and $2,777 of comprehensive income before fair value adjustments and acquisition related costs.

The initial accounting for the assets and liabilities recognized on the acquisition of the C2C Portfolio has been completed provisionally with respect to the valuations of investment properties, assumed debt, determination of final working capital balances and other financial instruments. Accordingly, the initial accounting has not been finalized and remains subject to adjustment.

Business combinations for the period from July 20, 2012 to December 31, 2012

On October 4, 2012, the Trust completed the purchase of 77 industrial properties totalling 6.0 million square feet (the "Initial Properties") from subsidiaries of Dundee REIT and affiliates of Return On Innovation Capital Ltd. ("ROI"). The purchase price was satisfied with cash consideration of $177,714, the issuance of 16,034,631 subsidiary redeemable units for $160,346, and the assumption of promissory notes payable to Dundee REIT for $42,000 and a receivable from Dundee REIT for $4,065 (relating to working capital items on acquisition), representing total consideration of $380,060. Upon finalizing the accounting for the acquisition of the Initial Properties, the fair value of the net identifiable assets and liabilities has been increased by $653 resulting from adjustments to the fair value of certain assets and liabilities as at the date of the acquisition. The total consideration exceeded the net identifiable assets and liabilities by $17,903, which has been recorded as goodwill.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values on the date of acquisition:

Investment properties	$	643,375
Prepaid expenses and other assets		1,841
Amounts receivable		1,600
Related party receivables		4,131
Cash and cash equivalents		2,398
Amounts payable and accrued liabilities		(1,838)
Tenant security deposits		(2,543)
Deferred revenue		(4,847)
Assumed debt at fair value		(281,960)
Total identifiable net assets and liabilities		362,157
Goodwill		17,903
Fair value of consideration	$	380,060

Acquisition related costs for the Initial Properties comprise $3,496 in transaction costs. The fair value of acquired tenant receivables is $1,600. The gross contractual amount for tenant receivables is $1,875, of which $275 is expected to be uncollectible. Fair value of the related party receivables is $4,131.

During the period October 4, 2012 to December 31, 2012, the Trust recognized $15,224 of revenue and $7,424 of comprehensive income before fair value adjustments and acquisition related costs, related to the acquisition of the Initial Properties. Had the acquisition occurred on July 20, 2012, the Trust would have recognized an additional $13,000 of revenue and $6,340 of comprehensive income before fair value adjustments and acquisition related costs.

On December 19, 2012, the Trust completed the purchase of 79 industrial properties totalling 5.3 million square feet (the "KingSett Portfolio") from an affiliate of KingSett Capital Inc. ("KingSett"). The purchase price was satisfied with cash consideration of $293,847, the issuance of 2,358,491 REIT Units for $25,000 and the issuance of 5.25% convertible debentures for a total of $25,000, representing total consideration of $343,847. Upon finalizing the accounting for the acquisition of the KingSett Portfolio, the fair value of the net identifiable assets and liabilities has been increased by $207 resulting from adjustments to the fair value of certain liabilities as at the date of the acquisition. The total consideration exceeded the net identifiable assets and liabilities by $17,430, which has been recorded as goodwill.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values on the date of acquisition:

Investment properties	$	480,243
Prepaid expenses and other assets		2,090
Amounts payable and accrued liabilities		(2,803)
Tenant security deposits		(3,206)
Deferred revenue		(1,975)
Assumed debt at fair value		(147,932)
Total identifiable net assets and liabilities		326,417
Goodwill		17,430
Fair value of consideration	$	343,847

Acquisition related costs for the KingSett Portfolio comprise $8,032 in transaction costs.

During the period December 19, 2012 to December 31, 2012, the Trust recognized $1,833 of revenue and $935 of comprehensive income before fair value adjustments and acquisition related costs, related to the acquisition of the KingSett Portfolio. Had the acquisition occurred on July 20, 2012, the Trust would have recognized an additional $21,428 of revenue and $10,939 of comprehensive income before fair value adjustments and acquisition related costs.

Note 8

INVESTMENT PROPERTY ACQUISITIONS

Detailed below are the investment property acquisitions completed during the year ended December 31, 2013 and the period from July 20, 2012 to December 31, 2012.

Year ended December 31, 2013	Interest acquired (%)		Purchase price[1]	Date acquired
CanFirst Portfolio	100.0	$	155,650	April 24, 2013
100 Lingard Road, Cambridge, ON	100.0		5,350	June 7, 2013
Total		$	161,000	

(1) Includes transaction costs.

Period from July 20, 2012 to December 31, 2012	Interest acquired (%)		Purchase price[1]	Date acquired
2 Lone Oak Court, Etobicoke, ON	100.0	$	7,615	November 30, 2012
441 Chrislea Road, Vaughan, ON	100.0		9,567	November 30, 2012
Total		$	17,182	

(1) Includes transaction costs.

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
Cash paid during the period	**$**	**92,815**	$	16,847
		92,815		16,847
Transaction costs included in amounts payable		**3,960**		64
Assumed mortgages at fair value		**62,009**		-
Assumed non-cash working capital		**2,216**		271
Total consideration for investment properties	**$**	**161,000**	$	17,182

Note 9

INVESTMENT PROPERTIES

	Note		**Year ended December 31, 2013**
Balance at beginning of year		**$**	**1,147,410**
Additions:			
Acquisitions from business combination[1]	7		**220,239**
Investment property acquisitions	8		**161,000**
Building improvements			**2,215**
Lease incentives and initial direct leasing costs			**8,850**
Total additions to investment properties			**392,304**
Gains and losses included in net income:			
Fair value adjustments to investment properties[2]			**1,151**
Amortization of lease incentives			**(74)**
Total gains included in net income			**1,077**
Balance at end of year		**$**	**1,540,791**

(1) Includes $1,022 for the parcel of land acquired from C2C.

(2) Equal to change in unrealized gain (losses) included in net income for the year ended December 31, 2013.

	Note	Period from July 20, 2012 to December 31, 2012
Balance at beginning of period		$ -
Additions:		
Acquisitions from business combinations	7	1,123,618
Investment property acquisitions	8	17,182
Building improvements		-
Lease incentives and initial direct leasing costs		562
Amortization of lease incentives		-
Fair value adjustments to investment properties		6,048
Balance at end of period		$ 1,147,410

The Trust's investment properties have been reduced by $3,535 (December 31, 2012 – $400) related to straight-line rent receivable, which has been reclassified to other non-current assets.

As at December 31, 2013, investment properties with a fair value of $1,336,887 (December 31, 2012 – $878,269) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at December 31, 2013, investment properties with a fair value of $80,692 (December 31, 2012 – $79,497) are pledged as security for the Trust's demand revolving credit facility.

Note 10
JOINT ARRANGEMENTS

			Ownership interest (%)	
Name	Principal activity	Location	**December 31, 2013**	December 31, 2012
2240 Premier Way (GE Turbine Building)	Investment property	Edmonton, AB	**50.0**	50.0

The following amounts represent the ownership interest in the assets, liabilities, revenues and expenses of the co-owned property in which the Trust participates.

	December 31, 2013	December 31, 2012
Non-current assets		
Investment properties	**$ 2,500**	$ 2,250
	2,500	2,250
Current assets		
Amounts receivable	**7**	2
Prepaid expenses and other assets	**1**	1
Cash and cash equivalents	**78**	52
	86	55
Total assets	**$ 2,586**	$ 2,305
Current liabilities		
Debt	**$ -**	$ 1,320
Amounts payable and accrued liabilities	**4**	14
Total liabilities	**$ 4**	$ 1,334

	Year ended December 31, 2013	Period from July 20,2012 to December 31, 2012
Investment properties revenue	**$ 204**	$ 48
Investment properties operating expenses	**71**	17
Net rental income	**133**	31
Other income and expenses		
Fair value adjustments to investment property	**250**	85
Interest on debt	**(61)**	(10)
Debt settlement costs	**(13)**	-
Net income	**$ 309**	$ 106

Note 11

OTHER NON-CURRENT ASSETS

	Note	December 31, 2013	December 31, 2012
Deposits		**$ 479**	$ -
Property and equipment		**69**	2
Straight-line rent receivable		**3,535**	400
Goodwill	7	**35,333**	36,193
Total		**$ 39,416**	$ 36,595

The Trust performed its annual goodwill impairment test as at December 31, 2013 in accordance with the methodology set out in IAS 36, by comparing the recoverable amount of the goodwill CGU using the value-in-use approach to its carrying amount. For the purpose of this test, the key assumptions used included an estimated growth rate of 3%, a discount rate of 5.87% and a terminal rate of 5.87%. The Trust performed a sensitivity analysis on each of the key assumptions, assuming a 1% unfavourable change for each individual assumption while holding the other assumptions constant and determined that none of these scenarios would result in the carrying amount of the goodwill CGU to exceed the recoverable amount. Based on the testing performed, the Trust concluded that no goodwill impairment exists as at December 31, 2013.

Note 12

INCOME TAXES

DIR Industrial Properties Inc., one of the Trust's subsidiaries, is subject to corporate income taxes. The deferred tax assets relate to temporary differences between the accounting and tax basis of the net assets of the subsidiary, which include non-capital losses on acquisition of $679, deductible Unit issue and financing costs of $1,232 and fair value adjustments on assumed debt offset by those on investment properties totalling $324. The tax asset was reduced by $1,160 since the acquisition on May 15, 2013, to account for changes in the balances of the tax attributes to date.

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
Income (loss) before income taxes	**$**	**85,141**	$	(20,873)
Income not subject to taxation		**(90,604)**		20,873
(Loss) in subsidiary corporation		**(5,463)**		-
Tax calculated at the Canadian statutory tax rate of 27.6%		**(1,508)**		-
Increase (decrease) resulting from:				
Expenses not deductible for tax		**3,040**		-
Adjustment in expected future tax rates		**(91)**		-
Other items		**(281)**		-
Income taxes	**$**	**1,160**	$	-

Deferred income tax assets consisted of the following:

		December 31, 2013		December 31, 2012
Deferred tax liability related to difference in tax and book basis of investment properties	**$**	**(1,325)**	$	-
Deferred tax asset related to difference in tax and book basis of financial instruments		**824**		-
Deferred tax asset related to tax loss carry-forwards		**517**		-
Deferred tax asset related to difference in tax and book basis of deferred financing costs		**1,059**		-
Total deferred income tax assets	**$**	**1,075**	$	-

Note 13

AMOUNTS RECEIVABLE

		December 31, 2013		December 31, 2012
Trade receivables	**$**	**2,282**	$	1,540
Less: Provision for impairment of trade receivables		**(284)**		(275)
Trade receivables, net		**1,998**		1,265
Other amounts receivable		**2,053**		1,595
Amounts receivable	**$**	**4,051**	$	2,860

The movement in the provision for impairment of trade receivables during the year ended December 31, 2013 is as follows:

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
As at January 1	$	275	$	-
Provision for impairment of trade receivables		458		275
Receivables written off during the period as uncollectible		(449)		-
As at December 31	$	284	$	275

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2013, trade receivables of approximately $182 (December 31, 2012 – $298) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

The Trust leases industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining term are as follows:

		December 31, 2013
2014	$	98,857
2015 to 2018		268,854
2019 to 2027		141,295
	$	509,006

Note 14

CASH AND CASH EQUIVALENTS

Cash and cash equivalents excludes cash subject to restrictions that prevent its use in the normal operations of the Trust. Overdraft and operating facility balances are included in debt.

Note 15

DEBT

		December 31, 2013		December 31, 2012
Mortgages(1)	$	703,502	$	462,359
Demand revolving credit facility(1)		12,114		10,000
Promissory notes payable		-		42,000
Unsecured non-revolving bridge facility		-		32,394
Convertible debentures		124,766		103,092
Total		840,382		649,845
Less: Current portion		(112,041)		(100,886)
Non-current debt	$	728,341	$	548,959

(1) Secured by charges on specific investment properties (refer to Note 9).

Convertible debentures

	Carrying value December 31, 2013	Carrying value December 31, 2012
5.25% Debentures	**$ 104,065**	$ 103,092
6.75% Debentures	**20,701**	-
Total	**$ 124,766**	$ 103,092

	Date issued	Maturity date	Original principal issued	Interest rate	Outstanding principal amount December 31, 2013	Outstanding principal amount December 31, 2012
5.25% Debentures	December 13, 2012	December 31, 2019	$ 86,250	5.25%	**$ 86,250**	$ 86,250
5.25% Debentures	December 19, 2012	December 31, 2019	25,000	5.25%	**25,000**	25,000
6.75% Debentures	May 15, 2013[(1)]	November 30, 2017	20,125	6.75%	**19,420**	-
			$ 131,375		**$ 130,670**	$ 111,250

(1) The 6.75% Debentures were assumed as part of the C2C acquisition on May 15, 2013.

The outstanding principal for the 5.25% Debentures was issued in two tranches: $86,250 on December 13, 2012 and $25,000 on December 19, 2012, both maturing on December 31, 2019. The 5.25% Debentures are convertible at any time by the holder into 72.4638 REIT Units per one thousand dollars of face value, representing a conversion price of $13.80 per unit. On or after December 31, 2015, but prior to December 31, 2017, the 5.25% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price, and with no constraints on the traded price of the Units thereafter but prior to December 31, 2019. Interest on the 5.25% Debentures is payable at a rate of 5.25% semi-annually on June 30 and December 31. Transaction costs associated with the 5.25% Debentures amounted to $3,798 and the carrying value of the 5.25% Debentures is recorded net of these costs.

The outstanding principal for the 6.75% Debentures was assumed as part of the acquisition of the C2C Portfolio. The 6.75% Debentures are convertible at any time by the holder into REIT Units at a conversion price of $12.37 per unit. On or after November 30, 2015, but prior to November 30, 2017, the 6.75% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. Interest on the 6.75% Debentures is payable at a rate of 6.75% semi-annually on May 31 and November 30. During the year ended December 31, 2013, certain holders of the 6.75% Debentures tendered $705 of the original principal outstanding in connection with an offer to purchase that expired on June 26, 2013.

Demand revolving credit facility

On October 4, 2012, the Trust entered into a $35,000 demand revolving credit facility with a Canadian chartered bank. Draws under the demand revolving credit facility are in the form of one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 1.90% or at the bank's prime rate (3.0% as at December 31, 2013) plus 0.90% at the Trust's option. On December 19, 2012, the Trust increased the available capacity under the demand revolving credit facility to $50,000, to coincide with the acquisition of the KingSett Portfolio; all other terms under the demand revolving credit facility remained the same. The revolving credit facility matures on October 4, 2014. As at December 31, 2013, $11,266 (December 31, 2012 – $10,000) was drawn on the facility. As at December 31, 2013, the Trust has an outstanding letter of credit totalling $500 issued by the bank under the facility to secure the Trust's obligations under certain contractual arrangements. Based upon the security provided, the formula-based amount available to draw under this facility as at December 31, 2013 is $37,464 (December 31, 2012 – $39,584). Fifteen properties are secured as first-ranking mortgages on the facility.

On February 25, 2014, the Trust paid off the outstanding balance on the demand revolving credit facility. Refer to Note 30.

Promissory notes payable

On October 4, 2012, the Trust entered into promissory notes payable with subsidiaries of Dundee REIT totalling $42,000 and bearing interest at 3.1%. The promissory notes payable were due on the later of (i) the date of closing of and funding of the last of the outstanding financing that was being assessed by the Trust as at December 31, 2012, and (ii) January 2, 2013. The Trust had the option to prepay all or a portion of the promissory notes payable prior to the maturity date. On January 10, 2013, the Trust fully repaid the promissory notes payable.

Unsecured non-revolving bridge facility

On December 19, 2012, the Trust entered into an $80,000 unsecured non-revolving bridge facility to facilitate the acquisition of the KingSett Portfolio. The non-revolving bridge facility was available up to a formula-based maximum not to exceed $80,000, bearing interest at the bank's prime rate plus 1.25% or at BA rates plus 2.25%. The facility was fully repaid on January 21, 2013.

Debt weighted average effective interest rates and maturity

	Weighted average effective interest rates[1]			Debt amount	
	December 31, 2013	December 31, 2012	Maturity dates	**December 31, 2013**	December 31, 2012
Fixed rate					
Mortgages	**3.40%**	3.27%	2014–2023	**$ 703,502**	$ 462,359
Promissory notes payable	**-**	3.10%	2013	**-**	42,000
Convertible debentures	**6.12%**	6.09%	2017–2019	**124,766**	103,092
Total fixed rate debt	**3.84%**	3.74%		**828,268**	607,451
Variable rate					
Unsecured non-revolving bridge facility	**-**	3.48%	2013	**-**	32,394
Demand revolving credit facility	**3.90%**	3.90%	2014	**12,114**	10,000
Total variable rate debt	**3.90%**	3.58%		**12,114**	42,394
Total debt	**3.84%**	3.72%		**$ 840,382**	$ 649,845

(1) The effective interest rate method includes the impact of fair value adjustments on assumed debt and financing costs.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Demand revolving credit facility	Convertible debentures	Total
2014	$ 97,582	$ 12,114	$ -	$ 109,696
2015	143,803	-	-	143,803
2016	106,904	-	-	106,904
2017	92,938	-	19,420	112,358
2018	87,340	-	-	87,340
2019 and thereafter	165,281	-	111,250	276,531
	693,848	12,114	130,670	836,632
Financing costs	(1,221)	-	(3,326)	(4,547)
Fair value adjustments on initial recognition of assumed debt	10,875	-	(2,578)	8,297
	9,654	-	(5,904)	3,750
Total	$ 703,502	$ 12,114	$ 124,766	$ 840,382

Conversion feature on the convertible debentures

The movement in the conversion feature on the convertible debentures for the period is as follows:

	Note	Year ended December 31, 2013	Period from July 20, 2012 to December 31, 2012
Opening balance		**$ 6,228**	$ -
New issuance of convertible debentures		**-**	4,406
Assumed from business combination	7	**1,053**	-
Fair value adjustment on conversion feature of the convertible debentures	22	**(6,308)**	1,822
Ending balance		**$ 973**	$ 6,228

Remeasurement of the conversion feature is included in the fair value adjustments to financial instruments line in the consolidated statements of net income (loss) and comprehensive income (loss). All gains and losses recorded in Note 22 are changes in unrealized gains and losses relating to the items on the consolidated balance sheets.

Note 16

SUBSIDIARY REDEEMABLE UNITS

DILP, a subsidiary of Dundee Industrial, is authorized to issue an unlimited number of LP Class B Units. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the REIT Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units. Subsidiary redeemable units may be surrendered or indirectly exchanged for REIT Units on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions.

The Trust has the following subsidiary redeemable units outstanding:

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012	
	Note	**Number of units issued and outstanding**	**Amount**	Number of units issued and outstanding	Amount
Opening balance		**16,198,747**	**$ 181,426**	-	$ -
New issuance of units		**-**	**-**	16,034,631	160,346
Distribution Reinvestment Plan		**83,349**	**938**	164,116	1,773
Remeasurement of carrying value	22	**-**	**(38,268)**	-	19,307
Ending balance		**16,282,096**	**$ 144,096**	16,198,747	$ 181,426

During the year ended December 31, 2013, the Trust recorded $11,295 (December 31, 2012 – $2,711) in distributions on the subsidiary redeemable units, which are included as interest expense in the consolidated statement of net income (loss) and comprehensive income (loss) (see Note 21).

Holders of the LP Class A Units are entitled to vote at meetings of the limited partners of DILP and each Unit entitles the holder to a distribution equal to distributions on the subsidiary redeemable units. As at December 31, 2013, all issued and outstanding LP Class A Units are owned directly by Dundee Industrial and have been eliminated in the consolidated balance sheet.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate. As at December 31, 2013, 16,282,096 (December 31, 2012 – 16,198,747) Special Trust Units were issued and outstanding.

Note 17

DEFERRED UNIT INCENTIVE PLAN

The Deferred Unit Incentive Plan ("DUIP") provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit, and the related distribution of income deferred trust units, vests evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to defer receipt of REIT Units, such REIT Units will be issued immediately on vesting. As at December 31, 2013, up to a maximum of 1,500,000 (December 31, 2012 – 1,500,000) deferred trust units are issuable under the DUIP.

The movement in the DUIP balance was as follows:

	Note		
As at July 20, 2012		$	-
Compensation expense during the period			46
Remeasurement of carrying value	22		5
As at December 31, 2012			51
Compensation expense during the year			1,243
REIT Units issued for vested deferred trust units			(254)
Remeasurement of carrying value	22		(12)
As at December 31, 2013		$	1,028

During the year ended December 31, 2013, $1,243 of compensation expense was recorded (period from July 20, 2012 to December 31, 2012 – $46) and included in general and administrative expenses. For the same period, $12 (period from July 20, 2012 to December 31, 2012 – $5) was recognized in fair value adjustments to financial instruments representing the remeasurement of the DUIP liability for the period.

	Deferred trust units	Income deferred trust units	Total units
Outstanding at July 20, 2012	-	-	-
Granted during the period	40,418	402	40,820
Outstanding and payable December 31, 2012	40,418	402	40,820
Granted during the year	212,601	14,549	227,150
REIT Units issued	(24,044)	(518)	(24,562)
Cancelled upon termination	(5,432)	(116)	(5,548)
Fractional units paid in cash	-	(4)	(4)
Outstanding and payable at December 31, 2013	223,543	14,313	237,856
Vested but not issued at December 31, 2013	3,833	272	4,105

On February 19, 2013, 161,500 deferred trust units were granted to trustees and senior managers of the Trust. Of the units granted, 25,000 units relate to key management personnel. The grant date value of these deferred trust units was $11.11 per unit granted.

On February 22, 2013, 12,540 deferred trust units were granted to trustees who elected to receive their 2012 retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $11.09 per unit granted.

On May 7, 2013, 38,561 deferred trust units were granted to trustees who elected to receive their 2013 retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $10.73 per unit granted.

During the year ended December 31, 2013, the Trust issued 20,400 REIT Units and cancelled 5,548 deferred trust units and income deferred trust units in relation to the departure of certain officers of the Trust.

On October 18, 2012, 40,418 deferred trust units were granted to trustees and senior managers of the Trust. Of the units granted, 12,500 units relate to key management personnel. The grant date value of these deferred trust units was $11.15 per unit granted.

Note 18

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2013		December 31, 2012
Trade payables	S	**2,658**	$	2,109
Accrued liabilities and other payables		**12,625**		15,351
Accrued interest		**3,345**		3,117
Rent received in advance		**1,321**		422
Total	S	**19,949**	$	20,999

Note 19

DISTRIBUTIONS

The following table breaks down distribution payments for the periods ended December 31:

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
Paid in cash	$	**30,931**	$	2,132
Paid by way of reinvestment in REIT Units		**2,944**		44
Less: Payable at December 31, 2012 (July 20, 2012)		**(2,039)**		-
Plus: Payable at December 31, 2013 (December 31, 2012)		**3,204**		2,039
Total	$	**35,040**	$	4,215

On December 18, 2013, the Trust announced a cash distribution of $0.05833 per REIT Unit for the month of December 2013. The December 2013 distribution was paid on January 15, 2014, to unitholders on record as at December 31, 2013.

Dundee Industrial's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the Board of Trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or less than the estimates used for those prior periods. In addition, the Board of Trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust, to the extent such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declared distributions of $0.69372 for the year ended December 31, 2013 ($0.16331 for the period from July 20, 2012 to December 31, 2012).

Note 20

EQUITY

	December 31, 2013			December 31, 2012		
	Number of Units		**Amount**	Number of Units		Amount
REIT Units	**54,921,726**	**$**	**570,816**	36,257,538	$	326,211
Total	**54,921,726**	**$**	**570,816**	36,257,538	$	326,211

Dundee Industrial REIT Units

Dundee Industrial is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The Special Trust Units may only be issued to holders of subsidiary redeemable units.

REIT Units represent an undivided beneficial interest in Dundee Industrial and in distributions made by Dundee Industrial. No REIT Unit has preference or priority over any other. Each REIT Unit entitles the holder to one vote at all meetings of unitholders.

	Number of REIT Units		Amount
Equity, January 1, 2013	**36,257,538**	**$**	**326,211**
Net income for the year attributable to unitholders	**-**		**84,264**
Distributions paid	**-**		**(31,836)**
Distributions payable	**-**		**(3,204)**
Public offering of REIT Units	**10,465,000**		**115,115**
REIT Units issued for C2C acquisition	**7,460,654**		**78,785**
REIT Units issued for C2C amalgamation	**387,399**		**3,618**
Distribution Reinvestment Plan	**323,789**		**2,944**
Unit Purchase Plan	**2,784**		**26**
REIT Units issued for vested deferred trust units	**24,562**		**254**
Issue costs	**-**		**(5,361)**
Equity, December 31, 2013	**54,921,726**	**$**	**570,816**

	Number of REIT Units		Amount
Equity, July 20, 2012	-	$	-
Net loss for the period	-		(20,873)
Distributions paid	-		(2,176)
Distributions payable	-		(2,039)
Public offering of REIT Units	33,895,000		347,092
REIT Units issued for KingSett transaction	2,358,491		25,000
Distribution Reinvestment Plan	4,047		44
Issue costs	-		(20,837)
Equity, December 31, 2012	36,257,538	$	326,211

Public offering of REIT Units

On March 6, 2013, the Trust completed a public offering of 10,465,000 REIT Units, at a price of $11.00 per unit for gross proceeds of $115,115, including 1,365,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Costs related to the offering totalled $5,105 and were charged directly to unitholders' equity.

During the year ended December 31, 2013, the Trust incurred $34 (period from July 20, 2012 to December 31, 2012 – $nil) in relation to the issuance of units for the Distribution Reinvestment Plan and Unit Purchase Plan.

Included in the issue costs is $413 incurred during the year ended December 31, 2013 for the acquisition of the non-controlling interest of C2C on July 19, 2013.

In relation to the C2C amalgamation, on July 19, 2013, the Trust recorded $191 for the difference between the fair value of the consideration paid and the carrying amount of non-controlling interest as a reduction to issue costs. The Units were issued at $9.34 per unit resulting in a fair value of $3,618.

On December 13, 2012, the Trust completed a public offering of 13,570,000 REIT Units, at a price of $10.60 per unit for gross proceeds of $143,842, including 1,770,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Costs related to the offering totalled $6,224 and were charged directly to unitholders' equity.

On October 4, 2012, the Trust completed its initial public offering of 15,500,000 REIT Units, at a price of $10.00 per unit for gross proceeds of $155,000. Concurrently with the initial public offering, Dundee Corporation and a trustee purchased 1,750,000 REIT Units and 750,000 REIT Units, respectively, at the same price as the public issuance for gross proceeds totalling $25,000. On October 17, 2012, the Trust issued an additional 2,325,000 REIT Units, pursuant to the exercise of the over-allotment option granted to the underwriters, for gross proceeds of $23,250. Costs related to the initial public offering totalled $14,531 (including costs of the over-allotment option) and were charged directly to unitholders' equity.

Units issued for C2C transaction

Pursuant to the acquisition of C2C on May 15, 2013, the Trust issued 7,460,654 REIT Units to purchase approximately 95% of the outstanding common shares of C2C. On July 19, 2013, the Trust issued 387,399 REIT Units to purchase the remaining 5% of outstanding common shares of C2C by way of an amalgamation.

Units issued for KingSett transaction

On December 19, 2012, the Trust issued 2,358,491 REIT Units to an affiliate of KingSett Capital Inc. as partial consideration for acquisition of the KingSett Portfolio. Costs of $82 related to the issue of REIT Units to KingSett were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of REIT Units or subsidiary redeemable units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee Industrial reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 3.0% of each cash distribution that is reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the year ended December 31, 2013, 323,789 (period from July 20, 2012 to December 31, 2012 – 4,047) REIT Units were issued under the DRIP and $2,944 (period from July 20, 2012 to December 31, 2012 – $44) was recorded as distributions in the consolidated statement of changes in equity.

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units that may be acquired. The price per unit is calculated in the same manner as the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2013, 2,784 (period from July 20, 2012 to December 31, 2012 – $nil) REIT Units were issued under the Unit Purchase Plan for proceeds of $26 (period from July 20, 2012 to December 31, 2012 – $nil).

Short form base shelf prospectus

On November 26, 2012, the Trust issued a short form base shelf prospectus which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue units and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, having an aggregate offering price of up to $1 billion. As at December 31, 2013, $168,842 (December 31, 2012 – $168,842) in REIT Units and $111,250 (December 31, 2012 – $111,250) in debt securities have been issued under the short form base shelf prospectus.

Note 21

INTEREST

Interest on debt

Interest on debt incurred and charged to comprehensive income (loss) is recorded as follows:

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
Interest expense incurred, at contractual rate	**$**	**32,546**	$	3,963
Amortization of financing costs		**852**		100
Amortization of fair value adjustments on debt		**(3,298)**		(819)
Interest expense		**30,100**		3,244
Add/deduct:				
Amortization of financing costs		**(852)**		(100)
Amortization of fair value adjustments on debt		**3,298**		819
Change in accrued interest		**(228)**		(1,654)
Cash interest paid	**$**	**32,318**	$	2,309

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the expected remaining term of the debt using the effective interest rate method. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the consolidated statement of cash flows.

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income (loss) consisting of distributions to holders of subsidiary redeemable units are recorded as follows:

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
Paid in cash	**$**	**10,345**	$	-
Paid by way of reinvestment in subsidiary redeemable units		**938**		1,773
Less: Interest payable at December 31, 2012 (July 20, 2012)		**(938)**		-
Plus: Interest payable at December 31, 2013 (December 31, 2012)		**950**		938
Total	**$**	**11,295**	$	2,711

The interest payable at December 31, 2013 was satisfied on January 15, 2014, in cash.

Note 22

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
Fair value adjustment on conversion feature of the convertible debentures	15	**$**	**(6,308)**	$	1,822
Remeasurement of carrying value of subsidiary redeemable units	16		**(38,268)**		19,307
Remeasurement of carrying value of Deferred Unit Incentive Plan	17		**(12)**		5
		$	**(44,588)**	$	21,134

Note 23

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee Industrial and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dundee Industrial, DILP, Dundee Industrial Management Limited Partnership (a wholly owned subsidiary of DILP), Dundee Industrial Management Corporation and Dundee Realty Management Corporation ("DRMC"), a subsidiary of Dundee REIT, are parties to an administrative services agreement (the "Services Agreement") that is in effect until October 4, 2014. Unless terminated by any party to the Services Agreement, the term is automatically renewed for additional one-year terms. Effective October 4, 2012, Dundee Industrial also has an asset management agreement (the "Asset Management Agreement") with DREAM Asset Management Corp. ("DAM"), formerly known as Dundee Realty Corporation, a subsidiary of DREAM Unlimited Corp., pursuant to which DAM provides certain asset management services to Dundee Industrial and its subsidiaries, which is in effect until October 4, 2022.

Asset Management Agreement

The Asset Management Agreement provides for a range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties (which, with respect to the Initial Properties, will be the sum of the purchase prices reflected in the Return On Innovation Capital Ltd. ("ROI") purchase agreement);
- incentive fee equal to 15% of Dundee Industrial's adjusted funds from operations per unit in excess of $0.80 per unit, increasing annually by 50% of the increase in the consumer price index;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1.0 million, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee equal to: (a) 1.0% of the purchase price of a property on the first $100 million of properties acquired in each fiscal year; (b) 0.75% of the purchase price of a property on the next $100 million of properties acquired in each fiscal year; and (c) 0.50% of the purchase price of a property in excess of $200 million of properties acquired in each fiscal year. No acquisition fee was payable to DAM from the Trust in respect of the acquisition of the Initial Properties, with the exception of the proportionate share acquired from ROI;
- financing fee equal to the lesser of 0.25% of the amount of debt and equity relating to all financing transactions completed and actual expenses incurred by DAM in supplying services relating to financing transactions. No financing fee was due with respect to the acquisition of the Initial Properties or the initial public offering.

In addition, Dundee Industrial will reimburse DAM for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the Asset Management Agreement or such other services that Dundee Industrial and DAM agree in writing are to be provided from time to time by DAM.

Shared services and cost sharing agreement

The existing Asset Management Agreement provides the Trust and DAM, from time to time, the opportunity to agree on additional services to be provided to the Trust for which DAM is to be reimbursed for its costs. To formalize and expand this arrangement, the Trust entered into a shared services and cost sharing agreement with DAM on December 1, 2013. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DAM will be providing additional administrative and support services in order to expand and improve DAM's service capability in connection with the provision of its asset management services. DAM will receive an annual fee sufficient to reimburse it for all the expenses incurred in providing these additional administrative and support services. Additionally, the Trust will also reimburse DAM in each calendar year for its share of costs incurred in connection with certain business transformation services provided by DAM.

During the year ended December 31, 2013, the Trust paid $nil to DAM pursuant to the shared services and cost sharing agreement. There are no amounts due to DAM as at December 31, 2013 pertaining to this agreement.

The Trust's future commitment under the shared services and cost sharing agreement over the next seven years is $2,520.

Related party transactions

The portions of fees paid and payable to related parties were as follows:

	Year ended December 31, 2013	Period from July 20, 2012 to December 31, 2012
Amounts paid and payable		
Fees incurred by Dundee Industrial under the Asset Management Agreement included in:		
General and administrative expenses	**$ 3,889**	$ 439
Property acquisitions and acquisition related costs	**2,005**	3,744
Financing costs	**407**	314
Total fees incurred under the Asset Management Agreement	**$ 6,301**	$ 4,497

During the year ended December 31, 2013, the Trust incurred $5,130 (December 31, 2012 – $572), in relation to the Services Agreement for salaries and benefits costs and shared service costs incurred by Dundee REIT on behalf of the Trust.

Included in amounts payable and accrued liabilities at December 31, 2013 is $688 (December 31, 2012 – $3,237) related to the Asset Management Agreement, and $389 (December 31, 2012 – $nil) in cost reimbursements to DAM for certain salaries and benefits costs incurred by DAM on behalf of the Trust. Amounts receivable at December 31, 2013 include $54 (December 31, 2012 – $nil) for reimbursement of certain costs paid by the Trust on behalf of DAM.

Included in amounts payable and accrued liabilities as at December 31, 2013 is $917 (December 31, 2012 – $4,207) due to Dundee REIT for services costs reimbursement to DRMC. Also included in amounts payable and accrued liabilities is the December 2013 monthly distribution in the amount of $950 (December 31, 2012 – $938) payable to Dundee REIT. Amounts receivable as at December 31, 2013 include $75 (December 31, 2012 – $4,248) relating to deposits Dundee REIT received on behalf of the Trust. For the year ended December 31, 2013, the Trust has recorded $32 (period from July 20, 2012 to December 31, 2012 – $317) in interest expense on the promissory notes payable to Dundee REIT. On January 10, 2013, the Trust repaid the promissory notes along with $349 of accrued interest. During the year ended December 31, 2013, the Trust had recorded $11,295 (period from July 20, 2012 to December 31, 2012 – $2,711) in interest expense on subsidiary redeemable units relating to distributions on its LP Class B Units to Dundee REIT. At December 31, 2013, Dundee REIT's retained interest in the Trust was 22.9%.

Compensation of key management personnel for the periods ended December 31 is as follows:

	Year ended December 31, 2013	Period from July 20, 2012 to December 31, 2012
Unit-based awards granted during the period(1)	**$ 278**	$ 136
Total	**$ 278**	$ 136

(1) Deferred trust units granted to officers vest over a five-year period with one fifth of the deferred trust units vesting each year. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the period.

Note 24

SUPPLEMENTARY CASH FLOW INFORMATION

		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
(Increase) decrease in amounts receivable	**$**	**(1,530)**	$	5,382
Decrease in prepaid expenses and other assets		**793**		1,414
(Increase) in other non-current assets		**(479)**		(435)
Increase in amounts payable and accrued liabilities		**1,873**		4,137
Increase (decrease) in tenant security deposits		**469**		(248)
Decrease in deferred revenue		**-**		(6,826)
Change in non-cash working capital	**$**	**1,126**	$	3,424

The following amounts were paid on account of interest:

	Note		Year ended December 31, 2013		Period from July 20, 2012 to December 31, 2012
Interest					
Debt	21	**$**	**32,318**	$	2,309
Subsidiary redeemable units	21		**10,345**		-
Total		**$**	**42,663**	$	2,309

Note 25

COMMITMENTS AND CONTINGENCIES

Dundee Industrial REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Dundee Industrial.

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $3,350 (December 31, 2012 – $254).

Pursuant to the Shared Services and Cost Sharing Agreement, the Trust has a commitment to pay $2,520 to DAM over the next seven years.

Note 26

CAPITAL MANAGEMENT

The primary objectives of the Trust’s capital management are to ensure that its operations are adequately funded in a cost efficient manner and it remains compliant with its banking covenants.

The Trust’s capital consists of debt, including mortgages, demand revolving credit facility, promissory notes payable, unsecured non-revolving bridge facility, convertible debentures, subsidiary redeemable units and unitholders’ equity. The Trust’s objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage and debt-to-total assets ratios. Other significant indicators include weighted average interest rate, average term to maturity of debt and variable rate debt as a portion of total debt. These indicators assist the Trust in assessing whether the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level, and all have been complied with.

The Trust's equity consists of REIT Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of $0.70 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percent of distributable income and distributable income per unit.

The Trust monitors capital primarily using a debt-to-total assets ratio, which is calculated as the amount of outstanding debt divided by total assets. During the year the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The DILP Partnership Agreement limits the Trust's interest coverage ratio to no less than 1.4 times. The interest coverage ratio, for the purpose of the DILP Partnership Agreement, is calculated as net operating income from continuing operations, plus interest and fee income, less general and administrative expense from continuing operations, all divided by interest expense on total debt. For the year ended December 31, 2013, the Trust's interest coverage ratio was 3.1 times (December 31, 2012 – 3.6 times), reflecting its ability to cover interest expense requirements.

	Note		**Year ended December 31, 2013**		Period from July 20, 2012 to December 31, 2012
Investment properties revenue		**$**	**142,944**	$	17,202
Investment properties operating expenses			**44,017**		4,667
Net rental income			**98,927**		12,535
Add (deduct):					
Interest and fee income			**244**		16
General and administrative expenses			**(7,346)**		(855)
		$	**91,825**	$	11,696
Interest expense – Debt	21	**$**	**30,100**	$	3,244
Interest coverage ratio			**3.1 times**		3.6 times

Note 27

FINANCIAL INSTRUMENTS

Risk management

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), places emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has some exposure to interest rate risk primarily as a result of the Trust's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The Trust is exposed to the variability in market interest rates on maturing debt to be renewed. In addition, variable rate debt as at December 31, 2013 was 1.44% of the Trust's total debt.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities and fixed rate debt due to mature in 2014. A 1% change is considered a reasonable level of fluctuation.

				Interest rate risk	
		-1%		+1%	
	Carrying amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[1]	$ 258	$ (3)	$ (3)	$ 3	$ 3
Financial liabilities					
Variable rate debt and fixed rate debt due to mature in a year	$ 90,022	$ 900	$ 900	$ (900)	$ (900)

(1) Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. These balances generally receive interest income less than 1%. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

The Trust is not exposed to currency risk or other price risk. Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash and cash equivalents, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. The Trust's main sources of liquidity are its demand revolving credit facility and unencumbered assets. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. On February 24, 2014, the Trust completed a $56 million refinancing of maturing mortgages on a portfolio of eight of its properties in Halifax ("the Halifax Portfolio Refinancing"). Net proceeds after repayment of the existing mortgage amounted to $21 million, which were used to repay other maturing mortgages and the outstanding balance on the demand revolving credit facility.

Note 28

FAIR VALUE MEASUREMENTS

Quoted prices in active markets represent a Level 1 valuation. When quoted prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, either directly or indirectly, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements during the year.

The following tables summarize fair value measurements recognized in the consolidated balance sheet by class of asset or liability and categorized by level according to the significance of the inputs used in making the measurements.

	Carrying value as at December 31, 2013	Fair value as at December 31, 2013 Level 1	Level 2	Level 3
Recurring measurements				
Non-financial assets				
Investment properties	**$ 1,540,791**	**$ -**	**$ -**	**$ 1,540,791**
Financial liabilities				
Conversion feature on the convertible debentures	**973**	**-**	**-**	**973**

	December 31, 2012 Level 1	Level 2	Level 3
Financial liabilities			
Conversion feature on the convertible debentures	$ -	$ -	$ 6,228

Financial instruments carried at amortized cost where carrying value does not approximate fair value are noted below:

	Carrying value as at December 31, 2013	Fair value as at December 31, 2013 Level 1	Level 2	Level 3
Fair values disclosed				
Mortgages	**$ 703,502**	**$ -**	**$ -**	**$ 698,912**
Demand revolving credit facility	**12,114**	**-**	**-**	**12,114**
Convertible debentures	**124,766**	**-**	**-**	**130,200**

	December 31, 2012 Total Carrying value	Fair value
Mortgages	$ 462,359	$ 463,279
Demand revolving credit facility	10,000	10,000
Promissory notes payable	42,000	42,000
Unsecured non-revolving bridge facility	32,394	32,500
Convertible debentures	103,092	108,081

Amounts receivable, cash and cash equivalents, subsidiary redeemable units, the Deferred Unit Incentive Plan, tenant security deposits, amounts payable and accrued liabilities, and distributions payable are carried at amortized cost, which approximates fair value due to their short-term nature.

Investment properties

Fair value for investment properties is calculated using the overall capitalization rate and discounted cash flow methods, which result in these measurements being classified as Level 3 in the fair value hierarchy. In applying the overall capitalization rate method the stabilized net operating income ("NOI") of each property is divided by an appropriate capitalization rate ("cap rate"). In applying the discounted cash flow method, the cash flows of a specific property are projected assuming a ten-year hold period. The estimated sale value at the end of the holding period is then calculated by dividing the projected NOI for year 11 by a terminal rate. These projected cash flows are then added together and discounted at a discount rate reflecting the risks of the property being valued. The following are the significant assumptions used under the two methods in determining the value:

- Cap rate – based on actual location, size and quality of the investment property and taking into account any available market data at the valuation date;
- Stabilized NOI – revenues less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items;
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents; and
- Cash flows – based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

Investment properties are valued on a highest and best use basis. For all the Trust's investment properties the current use is considered to be the highest and best use.

Significant unobservable inputs in Level 3 valuations are as follows:

	December 31, 2013	
	Range (%)	Weighted average
Stabilized NOI	n/a	104,716
Cap rate	6.00–8.75	6.73%
Discount rate	6.75–9.50	7.68%
Terminal rate	6.25–9.00	6.97%
Cash flows	n/a	103,332

	December 31, 2012	
	Range (%)	Weighted average (%)
Cap rate	5.85–8.75	6.80
Discount rate	6.75–9.50	7.65
Terminal rate	6.25–9.00	6.88

Generally, under the overall capitalization rate method, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in the cap rate will result in a decrease to the fair value of an investment property. The cap rate magnifies the effect of a change in stabilized NOI, with a lower cap rate resulting in a greater impact to the fair value of an investment property than a higher cap rate. Under the discounted cash flow methods, an increase in cash flows will result in an increase to the fair value of an investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property. An increase in the terminal rate will result in a decrease to the fair value of an investment property. The terminal rate magnifies the effect of a change in cash flows and discount rates, with a lower terminal rate resulting in a greater impact to the fair value of an investment property.

If the cap rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by $40,426 (December 31, 2012 – $28,956). If the cap rate were to decrease by 25 bps, the value of investment properties would increase by $75,758 (December 31, 2012 – $56,455).

Valuation process

Management is responsible for determining the fair value measurements included in the consolidated financial statements. The Trust includes a valuation team that prepares a valuation of each investment property every quarter. On a quarterly basis, the Trust engages independent professionally qualified valuers who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the investment properties to complete valuations of several properties. Each property is valued by an independent valuer at a minimum of once every three years. For properties subject to an independent valuation report the valuation team verifies all major inputs to the valuation and reviews the results with the independent valuers. The valuation team reports directly to the Chief Financial Officer ("CFO") and Chief Executive Officer ("CEO"). Discussion of valuation processes, key inputs and results are held between the CFO, CEO and the valuation team at least once every quarter, in line with the Trust's quarterly reporting. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the CFO, CEO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Investment properties with an aggregate fair value of $87,321 as at December 31, 2013 (December 31, 2012 – $178,088) were valued by qualified external valuation professionals. Investment properties with an aggregate December 31, 2013 fair value of $1,534,070 were valued by qualified external valuation professionals for the period between October 4, 2012 and December 31, 2013.

Convertible debentures

The convertible debentures have two components of value – a conventional bond and a call on the equity of the Trust through conversion. Based on its terms (see Note 15) the conversion feature is an embedded derivative and has been separated from the host contract and classified as a financial liability through profit and loss.

The fair value of the conversion feature, categorized in Level 3, is calculated based on the paper by K. Tsiveriotis and C. Fernandes. In this model, a convertible bond consists of two components, an equity component and a debt component, and these components have different default risks. The equity component is discounted at the risk-free rate. The equity component has no default risk since the Trust can always issue its own units. The debt component is discounted at the risk-free rate plus a credit spread.

The fair value of the conversion feature on the convertible debentures was determined using critical inputs, some of which are not directly observable based on market data. The critical inputs are the unit price and the units' distribution yield, the underlying unit volatility, the risk-free rate and the assumed credit spread.

A qualified independent consultant calculates the fair value measurement for the financial liability classified as Level 3. The valuation processes and results are determined and reviewed by senior management. The inputs and processes used in the valuation and the results thereof are reviewed by senior management and discussed with the qualified independent consultant to ensure conformity with IFRS.

The significant unobservable inputs used in the fair value measurement of the conversion feature as at December 31, 2013 are the following:

- Volatility: Historical volatility as at December 31, 2013 was derived from the historical prices of the S&P/TSX Capped REIT with maturity equal to the term to maturity of the convertible debentures.
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debentures as at December 31, 2013.

	Credit spread	Volatility
5.25% Debentures	2.952%	19.110%
6.75% Debentures	4.148%	11.971%

A higher volatility will increase the value of the conversion option. A lower credit spread will decrease the value of the conversion option.

The following table shows the changes in fair value of the conversion option from a 5% increase or decrease in volatility and a 100 bps increase or decrease in credit spread, all other inputs being constant.

	Impact of change to volatility		Impact of change to credit spread	
	+5%	-5%	+100 bps	-100 bps
Increase/(decrease) in fair value as at December 31, 2013	$ 1,550	$ (790)	$ 234	$ (1,581)

The Trust also uses the following techniques in determining the fair values disclosed for the following financial liabilities classified as Level 3:

Mortgages

The fair value of the mortgage payable as at December 31, 2013 has been calculated by discounting the expected cash flows of each debt using a weighted average discount rate of 3.35%. This discount rate is determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Trust's specific credit risk. In determining the adjustment for credit risk the Trust considers market conditions, the value of the investment properties that the mortgage is secured by and other indicators of the Trust's creditworthiness.

Note 29

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2013 consolidated financial statements.

Note 30

SUBSEQUENT EVENTS

As described in Note 27, the Trust completed the Halifax Portfolio Refinancing at a variable interest rate of monthly Canadian Dealer Offered Rate ("CDOR") plus 1.4% for an initial term of five years. In order to hedge the interest rate risk on the variable interest rate, the Trust also entered into a five-year interest rate swap agreement with a Canadian chartered bank for a notional value of $56 million, which effectively fixed the interest rate on this mortgage at 3.31% for the five-year term. Net proceeds after repayment of the existing mortgage amounted to $21 million, which were used to repay other maturing mortgages and the outstanding balance on the demand revolving credit facility.