Consolidated Financial Statements

URBANFUND CORP.

As at and for the years ended December 31, 2016 and 2015

Urbanfund

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of
Urbanfund Corp.

The accompanying consolidated financial statements of Urbanfund Corp. (the "Company" or "Urbanfund") are the responsibility of management and have been approved by the Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards, as disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the consolidated statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared with acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with the established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Collins Barrow Toronto LLP, independent auditors appointed by the shareholders of Urbanfund, upon recommendation of the Board of Directors, have examined the 2016 annual consolidated financial statements and have expressed their opinion upon the completion of such examination in the following report to the shareholders. The auditors have full and free access to, and meet at least annually with, the Audit Committee to discuss their audits and related matters.

Mitchell Cohen
President, Chief Executive Officer and Director

Thomas Kofman
Director

Toronto, Ontario
April 28, 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Urbanfund Corp.

We have audited the accompanying consolidated financial statements of Urbanfund Corp. and its subsidiaries which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate and in the circumstances, but not for the purposes 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 Urbanfund Corp. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
April 28, 2017

Urbanfund Corp.

Consolidated Statements of Financial Position

(in Canadian dollars)

As at	Note		**December 31, 2016**		December 31, 2015
Assets					
Non-current					
Investment properties	5	**$**	**55,638,439**	$	45,925,489
Investment in real estate project	6		**1,677,333**		1,677,333
Investment in private company	7		**625,000**		502,257
			57,940,772		48,105,079
Current					
Cash and cash equivalents	8		**7,962,632**		7,675,268
Other assets	9		**497,065**		295,107
Marketable securities	10		**336,344**		323,884
Income taxes recoverable			**15,274**		73,498
Total Assets		**$**	**66,752,087**	$	56,472,836
Liabilities					
Non-current					
Mortgages payable	17	**$**	**27,651,579**	$	23,404,231
Deferred income taxes	18		**2,966,000**		2,378,000
			30,617,579		25,782,231
Current					
Accounts payable and accrued liabilities			**659,663**		756,702
Tenant deposits			**203,698**		117,696
Non-revolving term facility	16		**463,050**		-
Current portion of mortgages payable	17		**1,752,548**		962,537
Total liabilities			**33,696,538**		27,619,166
Equity					
Common equity	19		**9,975,645**		9,772,654
Preferred equity	19		**1,113,750**		1,113,750
Retained earnings			**20,839,468**		17,641,997
Total shareholders' equity			**31,928,863**		28,528,401
Non-controlling interests			**1,126,686**		325,269
Total equity			**33,055,549**		28,853,670
Total liabilities and equity		**$**	**66,752,087**	$	56,472,836

Subsequent events (note 27)

Approved by the Board of Directors

Mitchell Cohen	*Thomas Kofman*
Director	Director

Urbanfund Corp.

Consolidated Statements of Income and Comprehensive Income

(in Canadian dollars)

Year ended December 31,	Note		2016		2015
Rental revenue		$	**4,955,571**	$	4,674,131
Rental expenses			**2,663,519**		2,504,380
Net rental income			**2,292,052**		2,169,751
Other income					
Interest and dividend income			**50,181**		54,260
Fair value adjustment on marketable securities			**30,952**		20,112
Fair value adjustment on investment properties	5		**3,652,125**		1,945,327
Realized gain on disposal of investment property	5		**-**		773,857
			3,733,258		2,793,556
Other expenses					
Financing costs			**929,192**		838,455
General and administrative costs			**342,582**		324,880
Unrealized loss (gain) on foreign currency translation			**1,673**		(232,969)
Realized loss on foreign currency translation			**94,700**		-
			1,368,147		930,366
Income before income taxes			**4,657,163**		4,032,941
Income taxes					
Current	18		**-**		(10,707)
Deferred	18		**588,000**		780,466
			588,000		769,759
Net income and comprehensive income		$	**4,069,163**	$	3,263,182
Attributable to:					
Shareholders			**3,474,272**		3,263,182
Non-controlling interests	13		**594,891**		-
Net income and comprehensive income		$	**4,069,163**	$	3,263,182
Net income per share attributable to shareholders					
Basic income per share	19	$	**0.08**	$	0.07
Diluted income per share	19	$	**0.07**	$	0.06

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

Urbanfund Corp.

Consolidated Statements of Changes in Equity

(in Canadian dollars)

	Note	Common Shares Number of Shares	Common Shares Share Capital	Preferred Shares Number of Shares	Preferred Shares Share Capital	Retained Earnings	Non-controlling interests	Total
January 1, 2015		43,572,684	$ 9,735,101	7,425,000	$ 1,113,750	$ 14,549,209	$ -	$ 25,398,060
Acquisitions of interests in the limited partnership		-	-	-	-	-	325,269	325,269
Net income and comprehensive income for the year		-	-	-	-	3,263,182	-	3,263,182
Dividends paid	21	-	-	-	-	(78,151)	-	(78,151)
Dividends payable	21	-	-	-	-	(54,690)	-	(54,690)
Dividend reinvestment plan	21	179,072	37,553	-	-	(37,553)	-	-
December 31, 2015		43,751,756	$ 9,772,654	7,425,000	$ 1,113,750	$ 17,641,997	$ 325,269	$ 28,853,670
Acquisitions of interests in the limited partnership		-	-	-	-	-	206,526	206,526
Net income and comprehensive income for the year		-	-	-	-	3,474,272	594,891	4,069,163
Dividends paid	21	-	-	-	-	(37,596)	-	(37,596)
Dividends payable	21	-	-	-	-	(36,214)	-	(36,214)
Dividend reinvestment plan	21	709,038	202,991	-	-	(202,991)	-	-
December 31, 2016		**44,460,794**	**$ 9,975,645**	**7,425,000**	**$ 1,113,750**	**$ 20,839,468**	**$ 1,126,686**	**$ 33,055,549**

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

Urbanfund Corp.

Consolidated Statements of Cash Flows

(in Canadian dollars)

Year ended December 31,	Note	2016	2015
			(note 29)
Cash flows provided by (used in)			
Operating			
Net income and comprehensive income		**$ 4,069,163**	$ 3,263,182
Items not affecting cash:			
Deferred income taxes		**588,000**	780,466
Interest and dividend income		**(50,181)**	(54,260)
Fair value adjustment on marketable securities		**(30,952)**	(20,112)
Unrealized (gain) loss on foreign currency translation		**1,673**	(232,969)
Realized loss on foreign currency translation		**94,700**	-
Realized gain on disposal of investment property		**-**	(773,857)
Fair value adjustment on investment properties	5	**(3,652,125)**	(1,945,327)
Financing costs		**929,192**	838,455
		1,949,470	1,855,578
Net changes in non-cash working capital:			
Other assets		**(201,958)**	177,070
Income taxes		**58,224**	(100,573)
Accounts payable and accrued liabilities		**(97,039)**	309,577
Tenant deposits		**86,002**	13,669
Interest received		**42,908**	44,828
Interest paid		**(767,190)**	(888,892)
		1,070,417	1,411,257
Investing			
Net additions to investment properties	5	**(221,999)**	(240,816)
Proceeds on disposal of investment property		**-**	1,100,000
Acquisitions of investment properties	5	**(4,407,500)**	(2,800,000)
Net additions to properties under development	5	**(1,431,326)**	(1,265,489)
Advances to investment in private company	7	**(125,000)**	(250,000)
Investment in private company, common shares		**-**	(250,000)
		(6,185,825)	(3,706,305)
Financing			
Proceeds from mortgage payable, net of financing costs		**8,334,658**	13,812,555
Repayment of mortgages payable		**(3,360,225)**	(8,793,334)
Proceeds from non-revolving term facility, net of financing costs		**462,400**	-
Dividends paid	21	**(37,596)**	(78,151)
Issuance of common shares, net of financing costs	21	**(202,991)**	(37,553)
Non-controlling interests, issued		**206,526**	325,269
		5,402,772	5,228,786
Net change in cash and cash equivalents		**287,364**	2,933,738
Cash and cash equivalents, beginning of year		**7,675,268**	4,741,530
Cash and cash equivalents, end of year		**$ 7,962,632**	$ 7,675,268

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

1. NATURE OF OPERATIONS

Urbanfund Corp. ("Urbanfund" or the "Company") is a real estate development and operating company with focus to identify, evaluate and invest in real estate or real estate related projects.

The Company was incorporated on February 4, 1997, pursuant to the provisions of the Business Corporations Act of Alberta. In 2003, the Company filed Articles of Continuance allowing operations to continue under the laws of the Province of Ontario and the Business Corporations Act of Ontario to the same extent as if it has been incorporated thereunder.

The registered and head office of the Company is located at 35 Lesmill Road, Toronto, Ontario M3B 2T9.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 28, 2017.

(b) Basis of presentation

The consolidated financial statements are prepared on a going concern basis using the historical cost basis except for investment properties (note 5) and marketable securities (note 10) which have been stated at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the parent company, Urbanfund Corp., and its subsidiaries, after elimination of intercompany transactions, balances, revenues and expenses.

(i) Subsidiaries

Subsidiaries are entities over which the Company has control. Control is achieved when Urbanfund is exposed to, or has the rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. Power may be determined on the basis of voting rights or other contractual arrangements.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets and the obligations for the liabilities relating to the arrangement. Urbanfund records only its share of assets, liabilities and share of the results of the joint operation. The assets, liabilities and results of the joint operation are included within the respective line items of the consolidated statements of financial position and consolidated statements of income and comprehensive income.

(d) Non-controlling interests

Non-controlling interests represent the non-controlling shareholders' proportion of net assets or the net identifiable assets on the acquisition of subsidiaries, adjusted subsequently for their proportionate interest in the comprehensive income or loss of the subsidiaries and distributions. The non-controlling interests are presented as equity separately from the equity attributable to the shareholders of the Company.

Transactions with non-controlling interests by the Company that do not result in a loss of control are accounted for as equity transactions.

A disposal of rights in a subsidiary that does not result in a loss of control, results in an increase or decrease within equity of the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, also taking into account any amounts which have been recognized in income and comprehensive income, if any, based on the decrease in the interests in the subsidiary. Transaction costs with respect to non-controlling interests are also recorded in equity.

2. BASIS OF PREPARATION (CONT'D)

(e) Significant judgments

The preparation of the Company's consolidated financial statements in accordance with IFRS requires management to exercise judgment in applying the Company's accounting policies. Judgments made by management in the on-going application of IFRS that have a significant effect on the consolidated financial statements are outlined below:

Investment properties

Initial capitalization of costs requires management's judgment in determining when the project commences with active development and identifying at which time a development property is substantially completed. This amount includes capitalized common area maintenance, property taxes and borrowing costs on specific debt. The Company's management also applies judgment in determining when property under development qualifies as an income property when fair value can be reliably measured or construction is substantially complete (whichever is earlier).

Leases – Urbanfund as a lessor

The Company makes judgments in determining whether certain leases, in particular tenant leases, where the Company is the lessor, are either operating or finance leases. The Company has determined, based on the evaluation of the terms and conditions of the lease arrangements, that the Company retains all the significant risks and rewards of ownership of the investment properties and accounts for these arrangements as operating leases.

Acquisition of investment properties

At the time of acquisition of a property, whether through controlling share investment or directly, the Company considers whether the acquisition represents the acquisition of a business under *IFRS 3, Business Combinations*. This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined by IFRS 3, and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Company obtains control of the business. The Company has determined that the acquisitions have been accounted for as asset acquisitions, as no integrated set of activities were acquired, the cost is accounted for as a group of assets and liabilities and transaction costs are allocated to the assets and liabilities acquired based on their relative fair values. No goodwill is recognized for an asset acquisition.

Joint arrangements

The Company makes judgments in determining whether a joint arrangement structured through a separate vehicle is a joint operation by assessing the legal form of the separate vehicle, including the determination on whether the bare trust has independent power, discretion or responsibility pertaining to the investment property and whether the Company retains the right to control and direct the trustee in all matters related to the investment property.

Income taxes

The Company applies judgment in determining the tax rates applicable to the temporary differences to determine the provision for income taxes. Deferred taxes relates to temporary differences arising from its subsidiaries and are measured based using tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences between accounting and tax asset values that are expected to be deductible or taxable in the future.

(f) Use of estimates and assumptions

Estimates made by management are based on events and circumstances that existed at the consolidated balance sheet date. Accordingly, actual results may differ from these estimates. Significant estimates made by management with a significant risk of material adjustment in the current and following years are discussed below:

Investment properties

The critical assumptions and estimates used when determining the fair value of investment properties are capitalization rates and stabilized net operating income. (which is influenced by vacancy rates) used in the direct capitalization income approach. A change to any of these inputs could significantly affect the fair value of an investment property. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

2. BASIS OF PREPARATION (CONT'D)

(f) Use of estimates and assumptions (Cont'd)

Investment properties (Cont'd)

The stabilized net operating income of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows related to such current and future leases.

Marketable securities

The Company recognizes marketable securities at fair value. Fair value is determined on the basis of market prices from independent sources. In the determination of fair value, management considers factors such as intentions and ability to hold or dispose of such securities, prevailing market prices and general market conditions.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

Presentation of financial statements ("IAS 1")

On January 1, 2016, the Company adopted the amendments to IAS 1 as part of its initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 clarify the existing presentation and disclosure requirements as they relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments also provide additional guidance on the application of professional judgment to disclosure requirements when preparing the notes to the financial statements. These amendments did not result in a material impact to the consolidated financial statements.

Joint arrangements ("IFRS 11")

On January 1, 2016, the Company adopted the amendments to IFRS 11, which provides guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business combination as defined in IFRS 3. Acquirers of such interests are to apply the relevant principals on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. These amendments did not result in a material impact to the consolidated financial statements.

(b) Investment properties

The Company's investment properties include commercial and residential properties that are held to earn rental income or capital appreciation or both.

(i) Income properties

Income properties are initially measured at cost. Subsequent to initial recognition, income properties are recorded at fair value and related gains and losses arising from changes in fair value are recognized in net income in the year of change. The determination of fair value is based on, among other things, rental revenue from current leases and reasonable supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases in light of current conditions, less future cash outflows in respect to tenant installation costs, income property operations and capital expenditures.

(ii) Properties under development

Properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties.

The cost of a development property that is an asset acquisition comprises cash, or the fair value of other consideration, paid to acquire the properties, including transaction costs. Subsequent to the acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, property taxes and borrowing costs on specific debt. Direct borrowing costs, development costs and property taxes are capitalized when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Investment properties (Cont'd)

(ii) Properties under development (Cont'd)

If Urbanfund is required as a condition of a lease to construct tenant improvements that enhance the value of the property, then capitalization of costs continues until such improvements are completed. Properties under development are measured at cost, when the fair value is not reliably determinable or when development is completed, at which point fair value is reliably determinable.

(c) Revenue recognition

The Company has retained substantially all the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases. Revenue from investment properties includes all rental income earned from properties, including residential and commercial tenant rental income, parking income and all other sundry income paid by the tenants under the terms of their leases. Revenue recognition under a lease commences when a tenant has the right to use the leased asset, and revenue is recognized pursuant to the terms of the agreement which is on a straight line basis over the term of the lease.

Leasehold inducements represent consideration of various incentives for the lessee to sign the lease and are recognized as a reduction in revenue pursuant to the terms of the agreement which is on a straight line basis over the term of the lease.

Operating expense recoveries charged to the tenant to recover a representative portion of the leased common area maintenance and property taxes are recognized as revenue in the period that the recoverable costs become chargeable to the tenants and the costs incurred for the transaction can be measured reliably. Operating expense recoveries are included in rental revenue.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Company and the creditworthiness of its tenants. All accounts greater than 90 days outstanding are allowed for through profit and loss.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted cash, and balances with banks, deposits held in trust and short-term deposits, including guaranteed investment certificates, generally with maturities of less than three months. Bank borrowings are considered to be financing activities.

(e) Income taxes

Income taxes are accounted for using the liability method. Deferred tax assets and liabilities are recognized for the differences between the tax basis and carrying amounts of assets and liabilities, for operating losses and for tax credit carry-forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carry amount of its assets and liabilities.

Deferred tax liabilities and assets are measured using enacted or substantially enacted tax rates and laws that are expected to apply in the period in which the liability is settled or the asset realized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that is no longer probable that sufficient taxable profits will be available to the allow all or part of the asset to be recovered.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

(f) Financial assets and liabilities

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other financial liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss.

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial assets and liabilities (Cont'd)

Financial instruments classified as loans and receivables, held-to-maturity, or other financial liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value, except for equity instruments that do not have a quoted market price for which fair value is not reliably determinable are measured at cost and any unrealized gains and losses are recognized through other comprehensive income.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Direct and indirect financing costs that are attributable to the issue of financial liabilities are presented as a reduction from the carrying amount of the related debt and are amortized over the terms of the related debt. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to lenders, agents, brokers, advisers and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

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

Year ended December 31,	Classification	Measurement	**2016**	2015
Financial assets:				
Investment in real estate project	Available-for-sale	Cost	**$ 1,677,333**	$ 1,677,333
Investment in private company:				
Common shares	Available-for-sale	Cost	**375,000**	250,000
Purchase warrants	FVTPL	Fair value	**-**	-
Loan receivable	Loans and receivables	Amortized cost	**250,000**	252,257
Cash and cash equivalents	Loans and receivables	Amortized cost	**7,962,632**	7,675,268
Accounts receivable	Loans and receivables	Amortized cost	**198,435**	12,160
Interest receivable	Loans and receivables	Amortized cost	**8,068**	13,048
Marketable securities	FVTPL	Fair value	**$ 336,344**	$ 323,884
Financial liabilities:				
Mortgages payable	Other financial liabilities	Amortized cost	**$ 29,404,127**	$ 24,366,768
Non-revolving term facility	Other financial liabilities	Amortized cost	**463,050**	-
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	**659,663**	756,702
Tenant deposits	Other financial liabilities	Amortized cost	**$ 203,698**	$ 117,696

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The amount of the write-down, if any, is recognized in net income.

The previously recognized impairment loss is reversed to the extent of the improvement in value, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income. Financial instruments tested for indicators of impairment include accounts receivable, investment in real estate project and investment in private company.

(g) Joint arrangements

Urbanfund determines whether a joint arrangement constitutes a joint operation based on the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations to the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Levies

Levies are outflows from the Company imposed by a government in accordance with legislation. The Company has assessed property taxes as being within the scope of IFRIC 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation and are based on property value. IFRIC 21 conforms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Company has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes a prepaid property tax asset which is then amortized over the year.

(i) Provisions

Provisions are recognized when present (legal or constructive) obligations as a result of a past event will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability is recognized.

(j) Borrowing costs

Borrowing costs include interest and other costs incurred in connection with borrowing of funds for operations or costs directly attributable to the acquisition. Borrowing costs associated with direct expenditures on investment properties under development are capitalized from the commencement of construction to the date of practical completion. The Company considers practical completion to have occurred when the investment property is capable of operating in the manner intended by management, generally, this occurs upon the completion of construction and the receipt of all necessary occupancy and other material permits. Thereafter, borrowing costs are charged to the statement of income and comprehensive income.

(k) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Preferred shares are classified as equity if it is non-redeemable or redeemable only at the Company's options and dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval of the Company's shareholders.

(l) Share-based payments

The Company issues share-based awards to certain directors, officers, employees and consultants. The cost of equity-settled share-based transactions with directors, officers and employees is determined as the fair value of the options on the grant date using a fair value model. The cost of equity-settled share-based transactions with consultants is at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the cost is determined as the fair value of the options using a fair value model. The value of the stock options is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant.

The cost of cash-settled share-based transactions is measured at the fair value at the grant date, and expensed over the vesting period with the recognition of a corresponding liability. The liability is measured at each reporting date at fair value with changes in fair value recognized in net income.

(m) Net income per share

The basic income per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted net income per common share is calculated by dividing the applicable net income by the sum of the weighted average number of common shares outstanding and all additional shares that would have been outstanding if potentially dilutive common shares had been issued during the year. The dilutive effect of preferred shares on net comprehensive income per share is calculated by determining the proceeds for the exercise of such securities which are then assumed to be used to purchase common shares of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Foreign currency translation

Foreign currency denominated revenues and expenses are translated using average rates of exchange during the year. Foreign currency denominated monetary assets and liabilities are translated at the rate of exchange in effect at the statement of financial position date. The resulting exchange gains and losses are recognized in net income.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory at certain future dates. Urbanfund monitors the potential changes proposed by the IASB and analyzes the effect that the changes in standards may have on its operations.

Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of the standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Urbanfund intends to adopt these standards when they become effective.

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Urbanfund is currently assessing the impact of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with earlier application is permitted.

Urbanfund will not be early adopting IFRS 15 and is reviewing the impact of the elections of presenting under the modified retrospective approach, whereby the Company will recognize transitional adjustments in retained earnings on the date of initial application (January 1, 2018) without restatement.

IFRS 16 - Leases

IFRS 16, Leases was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

Urbanfund will not be early adopting IFRS 16. The Company is currently evaluating the effects of the current contracts to determine whether any changes are required and the effects of those changes on these consolidated financial statements. The Company does not expect a material impact on the classification of its tenant leases on the adoption of this standard.

(in Canadian dollars)

4. FUTURE ACCOUNTING PRONOUNCEMENTS (CONT'D)

IAS 40 - Investment Properties

The IASB issued amendments to provide guidance on transfers to, or from investment properties. IAS 40 amendments state that an entity shall transfer a property to, or from, investment properties, when, and only when, there is evidence of a change in use. A change in use occurs if the property meets, or ceases to meet, the definition of an investment property. The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

5. INVESTMENT PROPERTIES

As at December 31,	2016	2015
Income properties	$ 50,370,000	$ 41,860,000
Properties under development	5,268,439	4,065,489
	$ 55,638,439	$ 45,925,489

Income properties

	Commercial Properties	Residential Properties	Total
Balance, January 1, 2015	$ 16,500,000	$ 23,500,000	$ 40,000,000
Dispositions	-	(306,023)	(306,023)
Capital improvements	-	220,696	220,696
Fair value adjustment on investment properties	1,167,145	778,182	1,945,327
Balance, December 31, 2015	17,667,145	24,192,855	41,860,000
Capital improvements	-	221,999	221,999
Transfers from properties under development (i)	-	4,635,876	4,635,876
Fair value adjustment on investment properties	1,190,000	2,462,125	3,652,125
Balance, December 31, 2016	**$ 18,857,145**	**$ 31,512,855**	**$ 50,370,000**

Properties under development

	2016	2015
Balance, beginning of year	$ 4,065,489	$ -
Acquisition of investment properties	4,407,500	2,800,000
Capitalized costs	1,357,115	1,195,671
Finance costs	74,211	69,818
Transfers to income properties (i)	(4,635,876)	-
Balance, end of year	$ 5,268,439	$ 4,065,489

(i) During the year, construction on the 48 Weber St. property through Weber Investments LP was substantially completed. As such, the carrying value of this property has been transferred to income properties.

Acquisitions

The following table summarizes the Company's acquisition of investment properties, through the Edvac joint operation (note 12) Weber Investments LP (note 13), Weber Investments 2 LP (note 14), Weber Investments 3 LP (note 15) and for rental income and future development and redevelopment opportunities.

(in Canadian dollars)

5. INVESTMENT PROPERTIES (CONT'D)

Acquisitions (Cont'd)

The fair value of consideration has been allocated to the identifiable assets acquired based on their fair values as at the date of acquisition, as follows:

	59, 61, 65 Weber St. Kitchener, Ontario	**65 Roy St. Kitchener, Ontario**	**11-13 Edvac Drive Brampton, Ontario**	48 Weber St. Kitchener, Ontario	61 Roy St. Kitchener, Ontario
Acquisition date	**January 20, 2016**	**February 5, 2016**	**December 15, 2016**	July 27, 2015	October 23, 2015
Net assets acquired:					
Investment properties	**$ 1,250,000**	**$ 530,000**	**$ 2,627,500**	$ 2,400,000	$ 400,000
Consideration funded by way of:					
Cash disbursement	**$ 625,000**	**$ 530,000**	**$ 1,625,000**	$ 600,000	$ 400,000
Mortgage payable	**625,000**	**-**	**1,002,500**	1,800,000	-
	$ 1,250,000	**$ 530,000**	**$ 2,627,500**	$ 2,400,000	$ 400,000

Dispositions

On July 30, 2015, the Company's Quebec Headway joint operation (note 11) disposed of its residential property, 825 and 2835 Rue de la Concord and 2840 Rue Emile Bouchard, Quebec City, Quebec ("Place Concordia"). Place Concordia was sold for aggregate proceeds of $11,000,000 and Urbanfund's share of the proceeds was $1,100,000, which resulted in a gain on disposal of $773,857, net of costs.

Valuation methodology

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Expectations about future improvements or modifications to be made to the investment property to reflect its highest and best use may be considered in the valuation. Investment properties are carried at fair value and the Company uses significant unobservable inputs to estimate fair value at each reporting date. Significant unobservable inputs are classified as level 3 inputs under IFRS (see note 23).

Quoted market prices in active markets are the best evidence of fair value and are used as a basis of fair value measurement, when available. When quoted market prices are not available, judgment is required to estimate the fair value based on the best information available, including prices for similar assets and the use of other valuation techniques. These valuation techniques are consistent with the objective of measuring fair value and involve a degree of estimation depending on the availability of market-based information.

Valuation approach and techniques

Urbanfund's management team is responsible for determining the fair value of investment properties, including any co-owned properties, at each reporting date. This team consists of individuals who are knowledgeable and have specialized industry experience in real estate valuations.

The management team estimates fair value of each income property based on a valuation technique known as the direct capitalization income approach. The fair value is determined by applying a capitalization rate to stabilized net operating income ("SNOI"). SNOI is based on budgeted rents and expenses and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted to incorporate allowances for estimated vacancy rates and capital expenditures based on current and expected future market conditions after expiry of any current lease and expected maintenance costs. The capitalization rate is based on the location and quality of the properties and takes into account market data at the valuation date.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and an opposite change in the long-term vacancy rate. Each of these inputs when increased or decreased, in isolation, would not result in a material change in the fair value of the Company's investment properties. As a result, management does not consider these variables as key inputs in estimating the fair value of an investment property.

(in Canadian dollars)

5. INVESTMENT PROPERTIES (CONT'D)

The capitalization rates used for the valuation of commercial and residential investment properties are set out as follows:

	Maximum	Minimum	Weighted-Average
Capitalization rate:			
As at December 31, 2015	7.00%	4.64%	5.72%
As at December 31, 2016	6.75%	4.64%	5.48%

Sensitivity

The fair value of the Company's investment properties are sensitive to changes in the key valuation assumptions. There is an inverse relationship between the capitalization rate and the fair value, the higher the capitalization rate, the lower the estimated value. Generally, an increase in the SNOI will result in an increase in the estimated fair value of the investment properties.

Changes to the capitalization rates and SNOI would result in a change to the estimate fair value of the Company's investment properties as set out in the following table:

	Stabilized NOI −1%	Stabilized NOI as reported	Stabilized NOI +1%
As at December 31, 2015:			
Capitalization rate, decrease, 0.25%	$ 1,358,300	$ 1,794,800	$ 2,232,100
Capitalization rate, as reported	(582,200)	-	251,700
Capitalization rate, increase, 0.25%	$ (2,352,200)	$ (1,953,200)	$ (1,555,200)
As at December 31, 2016:			
Capitalization rate, decrease, 0.25%	**$ 1,671,800**	**$ 2,132,200**	**$ 2,593,600**
Capitalization rate, as reported	**(440,800)**	**-**	**438,000**
Capitalization rate, increase, 0.25%	**$ (2,364,700)**	**$ (1,944,000)**	**$ (1,524,400)**

6. INVESTMENT IN REAL ESTATE PROJECT

In September 2009, the Company invested $2,000,000 for a 10% interest in a private partnership, which in turn, has a 33.3% interest in the One Bloor Street East real estate project. During 2012 and 2014, the Company received cost recoveries in the amount of $74,000 and $248,667, respectively. The Company does not have significant influence, control or joint control over the partnership and accordingly, the investment has been categorized as an available for sale financial instrument.

Since there is no quoted market price in an active market for this investment and its fair value cannot be reliably measured, it is carried at cost, with impairment losses recognized in net income when there is objective evidence that an impairment loss has been incurred.

As at December 31, 2016 and 2015, no events or changes in circumstances have occurred which would lead to an impairment in the value of the investment in real estate project.

7. INVESTMENT IN PRIVATE COMPANY

Equity investment

In 2015, the Company purchased 2,0833,333 common shares of a private company and 1,041,666 common share purchase warrants for an aggregate consideration of $250,000. The full amount of consideration was allocated to common shares with a total of $Nil being allocated to the common share purchase warrants.

Loan receivable

In 2015, the Company entered into an arrangement with the private company to provide it with an operating loan. The arrangement allows for the private company to draw a maximum of $500,000 bearing interest at the prime lending rate plus 6%.

(in Canadian dollars)

7. INVESTMENT IN PRIVATE COMPANY (CONT'D)

Equity investment

The private company's mortgages receivable are pledged as collateral for the loan. The operating loan matures on February 26, 2018 and is automatically renewed unless cancelled by either party, until February 2020.

As at December 31, 2016, the private company had drawn $375,000 of the facility (2015 – $250,000) and the Company recognized $20,316 of interest income in the consolidated statements of income and comprehensive income (2015 – $2,257).

8. CASH AND CASH EQUIVALENTS

As at December 31,		**2016**		2015
Cash	**$**	**5,216,904**	$	4,954,097
Guaranteed Investment Certificate		**2,745,728**		2,721,171
	$	**7,962,632**	$	7,675,268

As at December 31, 2016, the Guaranteed Investment Certificate ("GIC") bears interest at 0.55% (2015 – 0.99%) and matures on June 19, 2017 (2015 – June 19, 2016).

9. OTHER ASSETS

As at December 31,		**2016**		2015
Prepaid expenses	**$**	**81,073**	$	75,425
Amounts receivable (note 22)		**181,444**		137,167
Accounts receivable		**198,435**		12,160
Deposits		**28,045**		57,307
Interest receivable		**8,068**		13,048
	$	**497,065**	$	295,107

10. MARKETABLE SECURITIES

		Cost		Fair value
Balance, January 1, 2015	$	398,963	$	320,518
Balance, December 31, 2015		388,927		323,884
Balance, December 31, 2016	**$**	**372,066**	**$**	**336,344**

11. QUEBEC HEADWAY JOINT OPERATION

On April 23, 2013, the Company acquired a 10% undivided interest in an 1,870-unit multi-family residential portfolio located in Quebec City and Montreal, Quebec from an arm's length party.

The mortgages payable are made up of 10 mortgages outstanding on the various properties. The Company's portion of monthly payments total $36,456 (2015 – $33,577) and bear interest at a weighted average rate of 3.29% (2015 – 3.69%), which approximates current market rates, and had a weighted average remaining life of 6.37 years.

The Company's interest in the assets and liabilities of the joint operation is included in these consolidated financial statements for the years ended December 31, 2016 and 2015, based on their nature:

As at December 31,		**2016**		2015
Non-current assets	**$**	**8,290,000**	$	8,060,000
Current assets		**776,895**		494,156
Non-current liabilities		**(2,706,668)**		(2,444,901)
Current liabilities		**(342,909)**		(367,317)
Net assets	**$**	**6,017,318**	$	5,741,938

(in Canadian dollars)

11. QUEBEC HEADWAY JOINT OPERATION (CONT'D)

The Company's interest in the revenue and expenses of the joint operation is included in these consolidated financial statements for the years ended December 31, 2016 and 2015, based on their nature:

Year ended December 31,	**2016**	2015
Revenue	**$ 1,457,974**	$ 1,528,483
Expenses	**(1,059,236)**	(1,175,971)
General and administrative expenses	**(158,628)**	(165,999)
	240,110	186,513
Fair value adjustment to investment properties	**35,272**	(1,883,129)
Gain on sale of investments property (note 5)	**-**	773,857
Net income (loss)	**$ 275,382**	$ (922,759)

12. EDVAC JOINT OPERATION

On December 15, 2016, Urbanfund acquired a 50% interest in a joint arrangement with an arms-length party focused on owning and managing real estate investment properties in Brampton, Ontario.

The Company's interest in the assets, liabilities, revenues and expenses of the joint operation is included in these consolidated financial statements for the year ended December 31, 2016 based on their nature:

As at December 31,	**2016**
Non-current assets	**$ 2,687,471**
Current assets	**782,095**
Non-current liabilities	**(1,781,633)**
Current liabilities	**69,526**
Net assets	**$ 1,757,459**

Year ended December 31,	**2016**
Revenue	**$ 14,341**
Expenses	**(4,861)**
General and administrative expenses	**(16,073)**
Net loss	**$ (6,593)**

13. WEBER INVESTMENTS LP

On July 27, 2015, the Company entered into a limited partnership agreement as a limited partner of Weber Investments LP, to continue the expansion of its real estate activities. The Company contributed cash of $1,169,966 for 65 Class A units, representing a 65% interest. In 2016, the total amount of capital contributed to Weber Investments LP was $nil (2015 – $1,715,107).

Distributions by Weber Investments LP are allocated first to the limited partners who have contributed capital in excess of their pro rata share such that each limited partner achieves an annualized internal rate of return of 6% on their excess contribution. Thereafter, Weber Investments LP's distributions will be 65% to the Company and 35% to the non-controlling interests.

An officer of Urbanfund is also an officer of the general partner.

The following represents the assets, liabilities, revenues and expenses are recognized in these consolidated financial statements:

As at December 31,	**2016**	2015
Non-current assets	**$ 6,867,799**	$ 4,065,489
Current assets	**1,972,784**	31,286
Non-current liabilities	**(4,778,154)**	(1,800,000)
Current liabilities	**(323,888)**	(256,399)
Net assets	**$ 3,738,541**	$ 2,040,376

(in Canadian dollars)

13. WEBER INVESTMENTS LP (CONT'D)

Year ended December 31,		2016
Revenue	$	**269,335**
Expenses		**(135,262)**
General and administrative expenses		**(187,390)**
Fair value adjustment to investment properties		**1,753,006**
Net income	$	**1,699,689**
Attributable to:		
Owners of parent		**1,104,798**
Non-controlling interests		**594,891**
Net income	$	**1,699,689**

14. WEBER INVESTMENTS 2 LP

On January 20, 2016, the Company entered into a limited partnership agreement as a limited partner of Weber Investments 2 LP, to continue the expansion of its real estate activities. The Company contributed cash of $541,250 for 65 Class A units, representing a 65% interest. In 2016, the total amount of capital contributed to Weber Investments 2 LP was $831,156.

Distributions by Weber Investments 2 LP are allocated first to the limited partners who have contributed capital in excess of their pro rata share such that each limited partner achieves an annualized internal rate of return of 6% on their excess contribution. Thereafter, Weber Investments 2 LP's distributions will be 65% to the Company and 35% to the non-controlling interests.

An officer of Urbanfund is also an officer of the general partner.

The following represents the assets and liabilities recognized in these consolidated financial statements:

As at December 31,		2016
Non-current assets	$	**1,483,541**
Current assets		**89,130**
Current liabilities		**(617,552)**
Net assets	$	**955,119**

During the year, the Weber Investments 2 LP incurred $233,541 of direct development costs and $42,969 of borrowing costs which were attributable to properties under development (note 5). As at December 31, 2016, no revenues or expenses have been recognized in the consolidated statements of income and comprehensive income.

15. WEBER INVESTMENTS 3 LP

On February 5, 2016, the Company entered into a limited partnership agreement as a limited partner of Weber Investments 3 LP, to continue the expansion of its real estate activities. The Company contributed cash of $541,875 for 65 Class A units representing a 65% interest. In 2016, the total amount of capital contributed to Weber Investments 3 LP was $541,875.

Distributions by Weber Investments 3 LP are allocated first to the limited partners who have contributed capital in excess of their pro rata share such that each limited partner achieves an annualized internal rate of return of 6% on their excess contribution. Thereafter, Weber Investments 3 LP's distributions will be 65% to the Company and 35% to the non-controlling interests.

An officer of Urbanfund is also an officer of the general partner.

The following represents the assets and liabilities recognized in these consolidated financial statements:

As at December 31,		2016
Non-current assets	$	**629,627**
Current assets		**260,367**
Current liabilities		**(265,556)**
Net assets	$	**624,438**

(in Canadian dollars)

15. WEBER INVESTMENTS 3 LP (CONT'D)

During the year, the Weber Investments 3 LP incurred $97,188 of direct development costs and $2,438 of borrowing costs which were attributable to properties under development (note 5). As at December 31, 2016, no revenues or expenses have been recognized in the consolidated statements of income and comprehensive income.

16. NON-REVOLVING TERM FACILITY

On August 19, 2016, the general partner of Weber Investments LP and Weber Investments 3 LP established a one-year second rank non-revolving term facility ("Term Facility") with a Canadian chartered bank for a maximum amount of $900,000.

As at December 31, 2016, the principal amount outstanding under the Term Facility was $465,000, net of deferred financing costs of $1,950, of which $232,500, net of deferred financing costs of $975 was allocated to Weber Investments LP, and $232,500 net of deferred financing costs of $975 was allocated to Weber Investments 3 LP.

The Term Facility bears interest at the bank's prime lending rate plus 1.25% and matures on September 19, 2017. Amounts drawn are secured by a second rank general security agreement and cross-collateralized on the properties held under Weber Investments LP and Weber Investments 3 LP.

17. MORTGAGES PAYABLE

	Rate Per Annum	Maturity Date	**2016**	2015
Mortgage payable, with monthly payments of $55,114, including interest.	2.52%	Mar. 1, 2025	**$ 11,680,653**	$ 12,044,826
Mortgage payable, with monthly payments of $34,924, including interest.	3.86%	July 5, 2018	**5,102,602**	5,321,536
Vendor take-back mortgage, with monthly payments of $19,384, including	4.50%	May 1, 2018	**2,704,590**	2,813,970
Assumed mortgages from the Quebec Headway joint operation, representing the Company's 10% share, with monthly payments of $36,456, including interest.	Weighted-avg. 3.56%	Weighted-avg. 6.37 yrs.	**3,026,904**	2,714,802
Mortgage payable in Weber Investments LP, interest only.	4.31%	Feb. 1, 2017	**-**	1,800,000
Mortgage payable in Weber Investments LP, with monthly payments of $22,519, including interest.	2.92%	Oct. 1, 2023	**4,778,154**	-
Mortgage payable in Weber Investments 2 LP, interest only.	6.00%	Jan. 20, 2017	**625,000**	-
Mortgages payable from Edvac joint operation, representing the Company's 50% share, interest only.	6.00%	Jun. 15, 2019	**1,800,000**	-
			29,717,903	24,695,134
Less: Deferred financing costs, classified as non-current			**313,776**	328,366
Less: Current portion			**1,752,548**	962,537
Non-current portion			**$ 27,651,579**	$ 23,404,231

Minimum principal payments over the following years are as follows:

	Principal
2017	$ 1,738,103
2018	8,258,915
2019	2,581,749
2020	826,421
2021	686,960
Thereafter	15,625,755
	$ 29,717,903

(in Canadian dollars)

18. INCOME TAXES

Income tax expense

The following table reconciles the income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in as recognized in the statement of income and comprehensive income:

Year ended December 31,		**2016**		2015
Income before income taxes	**$**	**4,657,163**	$	4,032,941
Statutory rate		**26.70%**		26.70%
Expected income tax expense		**1,243,463**		1,076,795
Increase (decrease) in income tax expense due to the following:				
Non-deductible items		**36**		3,524
Non-capital losses utilized		**-**		(5,727)
Non-capital losses carried back		**-**		(8,098)
Fair market value adjustment of limited partnership interest		**(394,981)**		-
Effect of non-controlling interests		**(253,013)**		-
Effect of statutory rate change		**-**		12,057
Realized gain on sale of investment property		**-**		(308,792)
Other		**(7,505)**		-
Total income tax expense	**$**	**588,000**	$	769,759

The Company has non-capital loss carryforwards for income tax purposes of $66,100 (2015 – $21,450), which may be available to reduce taxable income in future years. The right to use these losses expire as follows:

Year incurred	Year expires		
2013	2033	$	21,450
2016	2036		44,650

Deferred income taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

As at December 31,		**2016**		2015
Deferred tax assets (liabilities):				
Marketable securities	**$**	**4,976**	$	(63,101)
Investment in private company		**-**		2,272
Investment properties		**(2,990,686)**		(2,293,939)
Non-capital loss carryforwards		**17,650**		5,727
Deferred financing costs		**2,060**		(21,201)
Other		**-**		(7,758)
Deferred tax liabilities, net	**$**	**(2,966,000)**	$	(2,378,000)

(in Canadian dollars)

19. SHAREHOLDERS' EQUITY

	Authorized
First preferred, Series A shares, non-voting, nonparticipating, each share is convertible to one common share for no additional consideration unless, at the date of conversion, the aggregate number of common shares held by directors and officers of the Company, and related parties to such individuals, would exceed 80% of the issued and outstanding common shares, in which case the shares cannot be converted.	20,000,000
First preferred shares, issuable in series with rights, privileges, restrictions and conditions determined by the directors at the time of issue.	Unlimited
Second preferred shares, issuable in series with rights, privileges, restrictions and conditions determined by the directors at the time of issue.	Unlimited
Common shares	Unlimited

Basic and diluted income per share has been calculated as follows:

		2016		2015
Basic income per share				
Net income attributable to shareholders	**$**	**3,474,272**	$	3,263,182
Weighted average common shares outstanding		**44,195,298**		43,632,251
Basic income per share	**$**	**0.08**	$	0.07
Diluted income per share				
Net income attributable to shareholders	**$**	**3,474,272**	$	3,263,182
Weighted average common shares outstanding		**44,195,298**		43,632,251
Dilutive effect of preferred shares		**7,425,000**		7,425,000
Weighted average common shares outstanding, diluted		**51,620,298**		51,057,251
Diluted income per share	**$**	**0.07**	$	0.06

20. STOCK OPTIONS

The Company has established a stock option plan for the benefit of its employees, directors, officers and consultants. The maximum number of options that may be granted under the plan cannot exceed 10% of the number of issued and outstanding common shares.

Options granted under the plan have a maximum term of five years and vest as follows: (i) one-third after one year from the grant date; (ii) one-third after two years from the grant date; and (iii) one-third after three years from the grant date. The exercise price of the options is determined by the Board of Directors and must not be less than the closing price of Urbanfund's common shares on the TSX Venture exchange on the last trading day prior to the date of the grant. As at and for the years ended December 31, 2016 and 2015, there were no stock options issued, outstanding or exercised.

21. DIVIDENDS PAID AND DIVIDEND REINVESTMENT PLAN

On June 17, 2015, Urbanfund adopted a dividend policy and a dividend reinvestment plan for holders of common shares and Series A, first preferred shares (the "DRIP"). The Company intends to pay an annual aggregate dividend of $0.005 per common share and $0.005 per preferred share, payable quarterly in the amount of $0.00125 per common and preferred share.

The DRIP is a voluntary program permitting holders of Series A, first preferred shares and common shares to automatically, and without charge, reinvest dividends into additional common shares at a specified discount to the volume-weighted average market price calculated as of the date of payment.

The Company has reserved an aggregate of 2,000,000 common shares for issuance to participants enrolled in the DRIP. During the year ended December 31, 2016, the Company issued 709,038 common shares valued at $202,991 to shareholders participating in the DRIP (2015 – 179,072 and $37,533).

Total dividends paid during the year was $37,596 (2015 – $78,151). Dividends payable at year end was $36,214 (2015 – $54,690), which includes amounts for the DRIP of $9,281 (2015 – $37,553).

(in Canadian dollars)

22. RELATED PARTY TRANSACTIONS

Included in amounts receivable within other assets (note 9) is $181,444 (December 31, 2015 – $137,167) of amounts due from a corporation that is also a shareholder of the Company.

Urbanfund is also contracted to this shareholder for property management services and employee costs, as follows:

		2016		2015
Property management fees included in:				
Rental expenses	**$**	**100,170**	$	95,398
Accounts payable and accrued liabilities		**26,426**		25,149
Management cost reimbursements included in:				
Rental expenses	**$**	**225,556**	$	230,083
Accounts payable and accrued liabilities		**36,976**		53,483

The marketable securities held by Urbanfund are held with a brokerage that is related by common shareholders who are also directors of the Company. At December 31, 2016 there was $342,981 (2015 – $1,698,733) in cash held by the brokerage in additional to the marketable securities disclosed in note 10.

There has been no compensation paid to key management personnel during the years ended December 31, 2016 and 2015.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks including interest rate risk, credit risk, market risk and liquidity risk. These financial risks are managed by the Company under policies approved by the Board of Directors. The principal financial risks are actively managed by the Company's finance department. This department operates within strict Board approved policies and guidelines.

On an ongoing basis, the finance department actively monitors market conditions with a view to minimizing the exposure of the Company to changing market factors while at the same time limiting the funding costs of the Company.

Fair value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying value of accounts receivable, interest receivable, tenant deposits, accounts payable and accrued liabilities are considered to be representative of their respective values due to their short-term nature.

The fair value of the Company's mortgages payable, which are determined to be classified as Level 2, approximate $29,000,000 (2015 – $25,000,000) based on interest rates obtainable for similar financial instruments in the current marketplace.

The fair value of the investment in real estate project (note 6) and the investment in private company (note 7) is not determinable as there is no active market for the investments, therefore the carrying amount equals the cost of the investments. The investments are held as available for sale however the Company does not have immediate plans to sell its interest.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2.

Valuations that require the significant use of unobservable inputs are considered Level 3. During the year, there have been no transfers between Level 1, Level 2 and Level 3.

The following table outlines assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

(in Canadian dollars)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

Fair value (Cont'd)

Year ended December 31,			**2016**			2015
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	**$ 7,962,632**	**$ -**	**$ -**	$ 7,675,268	$ -	$ -
Marketable securities	**$ 336,344**	**$ -**	**$ -**	$ 323,884	$ -	$ -
Investment properties	**$ -**	**$ -**	**$ 55,638,439**	$ -	$ -	$ 45,925,489

Interest rate risk

Interest rate risk is minimized through the Company's current strategy of having the mortgages payable in fixed rate arrangements. The Company is however exposed to price risk. A change in the interest rate by 1% will result in an increase or decrease in the fair value of the mortgages by $122,916 (2015 – $120,067) and non-revolving term facility by $15,916 (2015 – $nil).

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. In addition, the Company obtains security deposits from tenants. The Company believes that the credit risk of accounts receivable is minimal as the balance receivable as at December 31, 2016 is all current and limited to $198,435 (2015 – $12,160). Company mitigates its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

Market 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. The marketable securities of the Company are subject to normal market fluctuations due to changes in share prices. The maximum risk resulting from financial instruments held by the Company is determined by the fair value of the financial instruments.

As at December 31, 2016 sensitivity to an increase or decrease of quoted share prices by 5%, with all other variables held constant, the marketable securities would have increased or decreased by $17,672 (2015 – $16,194). In practice, actual results may differ from the sensitivity analysis and the difference could be material.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Since inception, the Company has financed its cash requirements primarily through issuances of securities, short-term borrowings and issuances of long-term debt. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. Financial liabilities are due as follows:

	< 1 year	1-2 years	3-5 years	> 5 years
Accounts payable and accrued liabilities	$ 659,663	$ -	$ -	$ -
Non-revolving term facility	$ 463,050	$ -	$ -	$ -
Mortgages payable	$ 1,738,103	$ 8,258,915	$ 4,095,130	$ 15,625,755

24. CAPITAL MANAGEMENT

Urbanfund defines capital as its equity. The Company's objective when managing capital is: (i) to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

(in Canadian dollars)

24. CAPITAL MANAGEMENT (CONT'D)

The Company sets the amount of capital in proportion to the risk. Urbanfund manages capital structure and makes adjustments in light of changes in economic conditions and the characteristic risk of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

Urbanfund's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during the years ended December 31, 2016 and 2015.

25. SEGMENTED INFORMATION

Urbanfund, primarily owns, develops, manages and operates residential and commercial sector properties in Canada. In measuring its performance of its residential and commercial properties, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly has a single reportable operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of property operations, tenant mix and an expectation that operating segments within a reportable segment have similar long-term economic characteristics.

The Company's Chief Executive Officer is the chief operating decision maker and regularly reviews Urbanfund's operations and performance on an individual property basis. Urbanfund does not have any single major tenant or any significant groups of tenants.

26. REVENUE

The Company enters into long-term lease contracts with tenants for space in its commercial properties. Initial lease terms are generally between three and eight years. Leases generally provide for the tenant to pay Urbanfund base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating cost and realty tax recoveries.

Minimum rent payments receivable under non-cancellable operating leases are as follows:

No later than 1 year	$	929,384
2 to 5 years		768,769
Greater than 5 years		40,090
	$	**1,738,243**

27. SUBSEQUENT EVENTS

On January 13, 2017, the private company was loaned its final tranche in the amount of $125,000 as part of the terms and conditions of the agreement as described in note 7.

On February 27, 2017, Urbanfund through Weber Investments 2 LP, entered into an agreement for the purchase of 51, 55, and 59 Scott St. for a purchase price of $2,100,000. The residential complex located in Kitchener, Ontario and is adjacent to 59-65 Weber St. Urbanfund proposes to amalgamate the two sites and construct purpose-built rental units.

28. COMPARATIVE BALANCES

The comparative amounts in the prior year consolidated statement of cash flows contained clerical errors identified during the year ended December 31, 2016. Details of the adjustments are as follows:

	As reported December 31, 2015	Adjustments	Restated December 31, 2015
Cash flows provided by operating activities	$ 2,848,417	$ (1,437,160)	$ 1,411,257
Cash flows used in investing activities	(3,689,551)	(16,754)	(3,706,305)
Cash flows provided by financing activities	3,774,872	1,453,914	5,228,786
Net change in cash and cash equivalents	**$ 2,933,738**	**$ -**	**$ 2,933,738**