MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Asset Manager of Dream Hard Asset Alternatives Trust prepares the Annual Report, which includes the consolidated financial statements, the notes thereto and management's discussion and analysis. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using the Asset Manager's best estimates and judgments when appropriate.

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

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

"Michael J. Cooper"

Michael J. Cooper
Portfolio Manager

"Pauline Alimchandani"

Pauline Alimchandani
Chief Financial Officer

Toronto, Ontario, February 18, 2020

Independent auditor's report

To the Unitholders of Dream Hard Asset Alternatives Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dream Hard Asset Alternatives Trust and its subsidiaries (together, the Trust) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Trust's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of net income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Frank Magliocco.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 18, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)	Note	December 31, 2019	December 31, 2018
ASSETS			
NON-CURRENT ASSETS			
Development and investment holdings	7	**$ 114,947**	$ 118,609
Lending portfolio	8	**13,489**	47,127
Income properties	9	**200,869**	224,310
Renewable power assets	10	**—**	130,615
Deferred income taxes	23	**—**	323
Other non-current assets	11	**1,789**	6,493
Equity accounted investments	12	**186,713**	132,528
TOTAL NON-CURRENT ASSETS		**517,807**	660,005
CURRENT ASSETS			
Lending portfolio	8	**51,216**	96,968
Amounts receivable	13	**9,119**	3,463
Income tax receivable		**58**	1,707
Prepaid expenses and other current assets		**154**	4,434
Cash		**117,787**	46,730
TOTAL CURRENT ASSETS		**178,334**	153,302
TOTAL ASSETS		**$ 696,141**	$ 813,307
LIABILITIES			
NON-CURRENT LIABILITIES			
Debt	14	**88,110**	162,846
Deferred income taxes	23	**4,515**	—
Deferred units incentive plan	15	**2,961**	2,166
TOTAL NON-CURRENT LIABILITIES		**95,586**	165,012
CURRENT LIABILITIES			
Debt	14	**878**	32,646
Amounts payable and accrued liabilities	16	**32,126**	23,722
TOTAL CURRENT LIABILITIES		**33,004**	56,368
TOTAL LIABILITIES		**128,590**	221,380
UNITHOLDERS' EQUITY			
Unitholders' equity		**559,370**	591,094
Retained earnings		**8,181**	3,143
Accumulated other comprehensive loss	18	**—**	(3,979)
TOTAL UNITHOLDERS' EQUITY		**567,551**	590,258
Non-controlling interests		**—**	1,669
TOTAL EQUITY		**567,551**	591,927
TOTAL LIABILITIES AND EQUITY		**$ 696,141**	$ 813,307

See the accompanying notes to the consolidated financial statements.
Commitments and contingencies (Note 27).

On behalf of the Board of Trustees of Dream Hard Asset Alternatives Trust:

"Amar Bhalla"

Amar Bhalla
Chair

"Karine MacIndoe"

Karine MacIndoe
Trustee

CONSOLIDATED STATEMENTS OF NET INCOME

(in thousands of Canadian dollars)	Note		**2019**		2018
INCOME					
Fair value adjustments and operating cash distributions in development and investment holdings		**$**	**(4,844)**	$	(1,260)
Lending portfolio interest income and lender fees			**12,809**		15,651
Income properties revenue	19		**23,568**		24,071
Share of income from equity accounted investments	12		**22,921**		813
TOTAL INCOME			**54,454**		39,275
EXPENSES					
Income properties, operating	20		**(12,950)**		(12,535)
Interest expense	21		**(5,011)**		(5,292)
Provision for lending portfolio losses	8		**(2,350)**		—
General and administrative	22		**(14,934)**		(15,036)
TOTAL EXPENSES			**(35,245)**		(32,863)
Fair value adjustments to income properties	9		**15,064**		(2,195)
OPERATING INCOME			**34,273**		4,217
Interest and other income			**2,312**		3,313
Transaction costs			**(1,521)**		(375)
Fair value adjustments to marketable securities			**—**		3,366
EARNINGS BEFORE INCOME TAX RECOVERY (EXPENSE)			**35,064**		10,521
INCOME TAX RECOVERY (EXPENSE)					
Current income tax recovery	23		**—**		18
Deferred income tax recovery (expense)	23		**(7,087)**		326
TOTAL INCOME TAX RECOVERY (EXPENSE)			**(7,087)**		344
NET INCOME FROM CONTINUING OPERATIONS			**27,977**		10,865
Net income from discontinued operations before income tax recovery (expense)	6		**1,625**		4,065
Income tax expense from discontinued operations - current			**—**		(9)
Income tax recovery (expense) from discontinued operations - deferred	23		**2,729**		(1,019)
NET INCOME FROM DISCONTINUED OPERATIONS			**4,354**		3,037
NET INCOME		**$**	**32,331**	$	13,902
NET INCOME ATTRIBUTABLE TO					
Unitholders		**$**	**32,121**	$	13,160
Non-controlling interests - discontinued operations			**210**		742
NET INCOME		**$**	**32,331**	$	13,902

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)	Note		2019		2018
NET INCOME		**$**	**32,331**	$	13,902
OTHER COMPREHENSIVE INCOME					
Other comprehensive income - discontinued operations	**18**	**$**	**3,979**	$	566
TOTAL COMPREHENSIVE INCOME		**$**	**36,310**	$	14,468
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
Unitholders		**$**	**36,100**	$	13,726
Non-controlling interests - discontinued operations			**210**		742
TOTAL COMPREHENSIVE INCOME		**$**	**36,310**	$	14,468
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO					
Continuing operations		**$**	**27,977**	$	10,865
Discontinued operations			**8,333**		3,603
TOTAL COMPREHENSIVE INCOME		**$**	**36,310**	$	14,468

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019

(in thousands of Canadian dollars, except for number of units)	Note	Number of units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-controlling interests	Total
Balance as at January 1, 2019		**72,592,822**	**$ 591,094**	**$ 3,143**	**$ (3,979)**	**$ 1,669**	**$ 591,927**
Net income for the year		—	—	32,121	—	210	**32,331**
Other comprehensive income - discontinued operations		—	—	—	3,979	—	**3,979**
Distributions paid and payable	17	—	—	(28,381)	—	—	**(28,381)**
Distribution Reinvestment Plan	17	271,551	1,779	—	—	—	**1,779**
Deferred units exchanged for Trust units	15	142,606	1,075	—	—	—	**1,075**
Cancellation of Trust units	17	(4,876,984)	(39,351)	1,298	—	—	**(38,053)**
Units issued as settlement of asset management fees	25	633,992	4,773	—	—	—	**4,773**
Distributions to non-controlling interests - discontinued operations		—	—	—	—	(1,098)	**(1,098)**
Disposition of non-controlling interest		—	—	—	—	(781)	**(781)**
Balance as at December 31, 2019		**68,763,987**	**$ 559,370**	**$ 8,181**	**$ —**	**$ —**	**$ 567,551**

For the year ended December 31, 2018

(in thousands of Canadian dollars, except for number of units)	Note	Number of units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Non-controlling interests	Total
Balance as at January 1, 2018		**72,417,786**	**$ 592,269**	**$ 16,687**	**$ (4,250)**	**$ 1,948**	**$ 606,654**
IFRS 9 adoption adjustment		—	—	295	(295)	—	—
Restated balance as at January 1, 2018		**72,417,786**	**$ 592,269**	**$ 16,982**	**$ (4,545)**	**$ 1,948**	**$ 606,654**
Net income for the year		—	—	13,160	—	742	**13,902**
Other comprehensive income		—	—	—	566	—	**566**
Distributions paid and payable	17	—	—	(29,300)	—	—	**(29,300)**
Distribution Reinvestment Plan	17	1,400,255	9,167	—	—	—	**9,167**
Deferred units exchanged for Trust units	15	47,890	309	—	—	—	**309**
Cancellation of Trust units	17	(1,273,109)	(10,651)	2,301	—	—	**(8,350)**
Distributions to non-controlling interests		—	—	—	—	(1,021)	**(1,021)**
Balance as at December 31, 2018		**72,592,822**	**$ 591,094**	**$ 3,143**	**$ (3,979)**	**$ 1,669**	**$ 591,927**

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)	Note		2019		2018
Net income					
Continuing operations		**$**	**27,977**	$	10,865
Discontinued operations			**4,354**		3,037
Net income		**$**	**32,331**	$	13,902
Non-cash and other items:					
Amortization and depreciation	26		**696**		326
Other adjustments	26		**(31,036)**		(6,138)
Change in non-cash working capital	26		**26,457**		1,447
Investment in lease incentives and initial direct leasing costs			**(4,398)**		(3,185)
Asset management fee settled in units			**4,773**		—
Provision for lending portfolio losses	8		**2,350**		—
Cash distributions from development and investment holdings	7		**1,778**		4,294
Generated from operating activities - continuing operations		**$**	**28,597**	$	7,609
Generated from (utilized in) operating activities - discontinued operations		**$**	**(11,378)**	$	9,642
Generated from operating activities - all operations		**$**	**17,219**	$	17,251
Generated from (utilized in) investing activities					
Investments in building improvements			**(2,900)**		(1,993)
Proceeds from disposition of income properties	9		**37,506**		—
Cash distributions from development and investment holdings			**—**		3,652
Cash advances to development and investment holdings	7		**(13,545)**		—
Proceeds from disposal of development and investment holdings	7		**10,307**		—
Lending portfolio additions	8		**(119)**		(30,658)
Principal repayments received from lending portfolio	8		**83,212**		54,488
Acquisition of investment holdings			**—**		(37,926)
Proceeds from sale of marketable securities			**—**		64,003
Distributions from equity accounted investments			**484**		1,960
Investments in equity accounted investments			**(31,748)**		(50,156)
Generated from investing activities - continuing operations		**$**	**83,197**	$	3,370
Generated from (utilized in) investing activities - discontinued operations		**$**	**63,730**	$	(573)
Generated from investing activities - all operations		**$**	**146,927**	$	2,797
Cancellation of Trust units	17		**(38,053)**		(8,350)
Lump sum repayments of mortgage payable	14		**(27,008)**		—
Mortgages repayments	14		**(1,013)**		(1,065)
Distributions paid on units	17		**(26,730)**		(20,127)
Utilized in financing activities - continuing operations		**$**	**(92,804)**	$	(29,542)
Utilized in financing activities - discontinued operations		**$**	**(293)**	$	(4,704)
Utilized in financing activities - all operations		**$**	**(93,097)**	$	(34,246)
Foreign exchange on cash held in foreign currency - discontinued operations		**$**	**8**	$	1
Increase (decrease) in cash			**71,057**		(14,197)
Cash, beginning of the year			**46,730**		60,927
Cash, end of the year		**$**	**117,787**	$	46,730

See the accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All dollar amounts are presented in thousands of Canadian dollars, except for unit, per unit, and Megawatt ("MW") amounts, unless otherwise stated)

1. ORGANIZATION

Dream Hard Asset Alternatives Trust ("Dream Alternatives" or the "Trust") is an open-ended trust established under the laws of the Province of Ontario by a Declaration of Trust dated April 28, 2014, amended and restated on July 8, 2014. The consolidated financial statements of Dream Alternatives include the accounts of Dream Alternatives and its consolidated subsidiaries. The Trust was formed by and is managed by Dream Asset Management Corporation ("DAM" or the "Asset Manager"), a wholly owned subsidiary of Dream Unlimited Corp. ("Dream"). On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. Dream is the ultimate parent company of the Trust. The ultimate controlling party of the Trust is Michael Cooper, President and Chief Responsible Officer of DAM and Dream.

The Trust is focused on hard asset alternative investments comprising real estate development, real estate lending, and income-producing real estate.

The Trust's registered office is 30 Adelaide Street East, Suite 301, Toronto, Ontario, Canada, M5C 3H1. The Trust is listed on the Toronto Stock Exchange ("TSX") under the symbol "DRA.UN". Dream Alternatives' consolidated financial statements for the year ended December 31, 2019 were authorized for issuance by the Board of Trustees on February 18, 2020.

For simplicity, throughout the notes, reference is made to the units of the Trust as follows:
- "units" meaning Trust voting units, and
- "unitholders" meaning holders of Trust voting units.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS"). The Trust's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis, except for income properties and certain development and investment holdings and financial instruments that are measured at fair value. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements unless otherwise indicated.

BASIS OF CONSOLIDATION
These consolidated financial statements include the accounts of the Trust and its subsidiaries. All intercompany transactions have been eliminated in these consolidated financial statements.

Subsidiaries are those entities that the Trust controls by having the power to govern the financial and operating policies of the entity and has exposure, or rights, to variable returns from its involvement with the entity and the ability to use its power over the investee to affect the amount of the investor's return. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Trust controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Trust and are subsequently deconsolidated from the consolidated financial statements on the date that control ceases.

NON-CONTROLLING INTERESTS
Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Net income and comprehensive income of subsidiaries is recognized directly in equity attributable to non-controlling interests and owners of the Trust within equity. Changes in the Trust's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

JOINT ARRANGEMENTS
The Trust may enter into joint arrangements through joint operations and joint ventures. Joint arrangements are contractual arrangements that give two or more parties joint control of the arrangement. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to

the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement.

The Trust, through its subsidiaries, is a co-owner in an income property that is subject to joint control and has direct rights to the income property, and obligations for the liabilities relating to the co-ownership. Therefore the joint arrangement is considered to be a joint operation. The Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of the co-ownership in the respective lines in the consolidated financial statements.

Interests in joint ventures are accounted for using the equity method. The Trust's equity accounted investments are initially recognized at cost. The cost of a joint venture at initial recognition comprises its purchase price and any directly attributable expenditures necessary to obtain it. Any goodwill arising on the acquisition of a joint venture is not separately recognized but is included in the carrying value of the joint venture. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that joint control commences until the date that joint control ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the joint venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the joint venture.

INVESTMENTS IN ASSOCIATES

Investments in associates are accounted for using the equity method. Investments in associates are those entities in which the Trust has significant influence, but no control or joint control, over the financial and operating policies. Investments in associates are recognized initially at cost. The cost of an investment in an associate at initial recognition comprises its purchase price and any directly attributable expenditures necessary to obtain it. Any goodwill arising on the acquisition of an associate is not separately recognized but is included in the carrying value of the associate. The consolidated financial statements include the Trust's share of the profit or loss and other comprehensive income (loss), after adjustments to align the accounting policies with those of the Trust, from the date that significant influence commences until the date that significant influence ceases. When the Trust's share of losses, if any, exceeds the carrying amount of the associate, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Trust has a legal or constructive obligation or has made a payment on behalf of the associate.

SEGMENT REPORTING

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) that is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on business segments. The business segments are: development and investment holdings, lending portfolio and income properties, based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Portfolio Manager of Dream Alternatives. The operating segments derive their revenue primarily from rental income, lessees, power sales, interest income and loan fees.

3. ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The principal accounting policies applied in the preparation of these consolidated financial statements are described below.

DEVELOPMENT AND INVESTMENT HOLDINGS

Development and investment holdings include limited partnership interests, a hospitality asset and mortgage receivables secured against residential development properties and include participation rights in the profits of the underlying development. At initial recognition, the Trust initially measures a financial asset at its fair value, plus any related transaction costs. Subsequent measurement depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The development and investment holdings are classified as Fair Value Through Profit and Loss ("FVTPL") as their contractual cash flows do not represent solely payments of principal and interest. Income earned and the changes in fair value are recorded in the consolidated statements of comprehensive income (loss) as fair value adjustments and operating cash distributions in development and investment holdings. Cash flows related to capital components of development and investment holdings are classified as investing activities on the consolidated statement of cash flows when it represents a return of capital and operating activities when it represents profit to the Trust.

LENDING PORTFOLIO

The lending portfolio is primarily comprised of fixed-interest-rate and interest-only mortgage and loan investments that the Trust intends on holding until maturity. They are recognized initially at fair value, plus any directly attributable transaction costs. The Trust classifies all loan investments that give rise to specified payments of principal and interest as amortized cost. All other loan investments are classified as FVTPL. For those loan investments classified as amortized cost, subsequent to initial recognition, the lending portfolio investments are measured at amortized cost using the effective interest rate method, less any provision for impairment, if applicable. A provision for impairment on the lending portfolio is established based on the general approach Expected Credit Loss ("ECL") model. Under the general approach ECL model, the Trust estimates possible default scenarios for the next 12 months on its lending portfolio investments. The Trust established a provision matrix that considers various factors including the borrower's credit risk, term to maturity, status of the underlying project and market risk. The results of the general approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statements of comprehensive income (loss). If a significant increase in credit risk occurs on a loan investment, an estimate of default is considered over the entire remaining life of the assets. In circumstances when an entity acquires a loan investment that is credit impaired at the date of initial recognition the credit adjusted approach ECL model will be applied. The credit adjusted approach ECL model results in expected credit losses calculated considering an estimate of default over the life of the asset.

The Trust recognizes interest, lender fees and other income from the lending portfolio in the consolidated statements of comprehensive income (loss) using the effective interest rate method for the general or simplified approach ECL model regardless if evidence of impairment exists. If the credit adjusted approach ECL model is used then a credit adjusted effective interest rate is used in calculating the applicable interest, lender fees and other income. Lending portfolio interest income and lenders fees includes the Trust's share of any fees received, as well as the effect of any premium or discount received on the mortgage. The effective interest rate method discounts the future cash payments and receipts through the expected life of the lending portfolio mortgage or loan to its carrying amount before any allowance for expected credit losses. Under the general and simplified approach, if no evidence of impairment exists, interest income is calculated on the carrying amount at the beginning of the period before any allowance for expected credit loss, otherwise interest income is calculated after an allowance for expected credit loss.

INCOME PROPERTIES

Income properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions, and include office properties held to earn rental income and/or for capital appreciation. After initial recognition, income properties are carried at fair value. At the end of each reporting period, the Trust determines the fair value of income properties by either considering current contracted prices for certain income properties, including those available for sale, by obtaining appraisals from qualified external professionals or using internally prepared valuations. Internally prepared valuations are performed by the Asset Manager, who estimates the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain limited circumstances, land values. Related fair value gains and losses are recorded in net income (loss) in the consolidated statements of comprehensive income (loss).

The fair value of income properties is typically based on, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the consolidated statement of financial position dates, 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 that is subject to similar leases and other contracts. The Trust has concluded that there is insufficient market evidence on which to base income property valuation using this approach; therefore, it uses the income approach for certain of its income properties. 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 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. For certain income properties the fair value will be based on land values when considering the property and its highest and best use. The primary approaches to the valuation of land are the direct comparison or the land residual/development approach. The direct comparison approach considers recent sales activity for similar land parcels in the same or similar markets, adjusting for any significant differences. The land residual development approach estimates current land values based on determining the sale price of a completed development project, and, considers development costs and returns to determine the residual land value. Each property is subject to an appraisal by an independent valuator at least once every three years, if not earlier.

Initial direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of income 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 income properties and are amortized on a straight-line basis over the term of the lease as a reduction of income properties' revenue.

RENEWABLE POWER ASSETS

Renewable power assets are measured at cost less accumulated depreciation and impairment charges, if any. Cost includes expenditures that are directly attributable to the acquisition and construction of the asset including interest costs paid or accrued during construction. Annual depreciation rates estimated by the Trust are listed in the table below. The depreciation methods, residual values, and estimates of the useful lives of its renewable power assets are reviewed by management at least annually.

Asset class	Depreciation method and period
Solar power equipment	
Solar modules, inverters and racking	4%, straight-line
Wind power equipment	
Wind generation equipment, electrical system, foundations and roads	4% to 5%, straight-line

On sale or retirement, renewable power assets and their related accumulated depreciation are removed from the consolidated statement of financial position, and any related gain or loss is reflected in net income in the consolidated statements of comprehensive income (loss). The cost of replacing a component of an item of renewable power assets is recognized in the carrying amount of the item if it is probable that the Trust will receive future economic benefits from the replacement components, and if the cost of the components can be measured reliably. The carrying amount of the replaced component is derecognized.

INTANGIBLE ASSETS

Intangible assets are related to provincial government contracts to supply wind power at rates above fixed price contracts and are recorded at cost less accumulated amortization and impairment charges, if any. Amortization takes place over the contractual term of the agreements related to the assets, which are 20 years on a straight-line basis. These intangible assets are classified as other non-current assets on the consolidated statements of financial position.

IMPAIRMENT OF RENEWABLE POWER ASSETS AND INTANGIBLE ASSETS

Renewable power assets and intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds the greater of the value-in-use or fair value less costs to sell. For purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows. The amount of the loss is recognized in the consolidated statements of comprehensive income (loss) within operating expenses. The carrying amount is reduced by the impairment loss directly. If, in a subsequent year, the amount of the impairment loss decreases and the decreases 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 value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in net income in the consolidated statements of comprehensive income (loss).

IMPAIRMENT OF EQUITY ACCOUNTED INVESTMENTS AND INVESTMENTS IN ASSOCIATES

The Trust assesses, at each reporting date, whether there is objective evidence that its interest in equity accounted investments and investments in associates are impaired. If impaired, the carrying value of the Trust's equity accounted investment balance is written down to its estimated recoverable amount, which is the greater of its value-in-use or fair value less costs to sell, with any differences charged to net income in the consolidated statements of comprehensive income (loss).

LENDING PORTFOLIO INTEREST AND FEES INCOME

Mortgage interest and fees revenues are recognized in the consolidated statements of comprehensive income (loss) using the effective interest method. Mortgage interest and fees revenues include the discount or premium incurred by the Trust at the time the mortgages were acquired, if any. The effective interest method derives the interest rate that discounts the estimated future cash payments and receipts over the expected life of the mortgages to its carrying amount. When calculating the effective interest rate, future cash flows are estimated considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees and transaction costs paid or received, including the incremental revenues and costs that are directly attributable to the acquisition or issuance of the mortgage.

INCOME PROPERTIES REVENUE FROM CONTRACTS WITH CUSTOMERS

The Trust has obligations to provide ongoing services related to its leases. These services include common area maintenance services, utilities and other services at its properties (collectively "CAM services"). The Trust's performance obligations on CAM services are satisfied over time as services are provided during the period over which tenants occupy the premises. When providing CAM services, the Trust is entitled to fees from tenants to the extent costs are incurred to provide the services. Tenants are billed monthly based on estimates and the Trust recognizes revenue to the extent that actual costs are incurred. To the extent that costs exceed billings, an amounts receivable is recognized; if the billings exceed costs, an amounts payable is recognized. These current assets or liabilities are settled with tenants annually.

The Trust provides parking services to its properties' tenants and visitors. Tenant parking revenue is recognized evenly over the terms of the related leases. Transient parking revenue is recognized based on actual usage.

The consideration received from tenants under the lease arrangements is allocated between the lease and service revenue (CAM services and parking services, if applicable) based on relative stand-alone selling prices.

For all revenue streams from contracts with customers, revenue is measured at the best estimate of the amount the Trust expects to receive for performing the services. Revenue is recognized only to the extent that it is highly probable that a significant amount of the cumulative revenue recognized for a contract will not reverse. The Trust is obligated to continue to provide CAM services over the remaining term of each lease contract. The Trust will recognize revenue on these remaining performance obligations based on the actual cost incurred to fulfill the CAM services in the period.

INCOME PROPERTIES RENTAL INCOME

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 income properties. Rental revenue includes base rents, property tax recoveries, percentage participation rents, lease termination fees, and other rental revenue including recoveries for landlord work and tenant improvement allowances. 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. Property tax recoveries are recognized as revenues in the period in which the corresponding costs are incurred and collectability is reasonably assured. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned.

RENEWABLE POWER ASSETS REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from renewable power assets is recognized based on the amount of energy generated at the contracted rates and is recognized when the energy produced is received by the client and the performance obligation is satisfied. Several power-generating sites are eligible for additional payments under government programs designed to provide additional fees based on the supply of renewable energy. These amounts are related to energy generated and are based on the megawatt hours ("MWh") of electricity supplied. These amounts are recorded as revenue in the period in which the energy produced is received by the client. Amounts are determined based on a spot amount or fixed amount per MWh generated, depending on the location of where the energy is produced.

The unsatisfied performance obligation resulting from contracted rates has a variable consideration that is constrained by the MWh of energy produced.

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 acquiror, the liabilities incurred by the acquiror to former owners of the acquiree, and the equity interests issued by the acquiror.

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 non-controlling 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 profit or loss for the year as a gain on acquisition. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

CASH

Cash excludes restricted cash subject to restrictions that prevent its use for current purposes. Restricted cash is included in prepaid expenses and other current assets. Excluded from cash are amounts held for repayment of tenant security deposits, as required by various lending agreements. These security deposits are included in accounts payable and accrued liabilities. As at December 31, 2019, cash included an amount of $4,218 (December 31, 2018 – $5,296) held in bank accounts that require both the Trust's and third parties' approval prior to distribution.

LEASES

Leases are recognized as right-of-use assets and a corresponding lease liability at the date at which the leased asset is available for use by the Trust. At the commencement date, right-of-use assets are measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequent to the commencement date the right-of-use asset is measured at cost less any accumulated depreciation. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease term is determined as the non-cancellable period of a lease plus the period covered by an option to extend the lease if the lessee is reasonably certain to exercise that option as well as the periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Trust exercises judgment when reviewing the lease terms, particularly the options to extend or terminate the lease and whether reasonable certainty exists to exercise either option. In addition, the right-of-use assets are assessed for impairment and adjusted for certain remeasurement of the lease liability. The fair value model will be applied if the right-of-use assets meet the definition of an investment property. Lease liabilities are measured at the present value of the lease payments that are not paid at the date at which the leased asset is available for use. Certain leases contain variable lease payments that are linked to an index resulting in an increase in the annual lease payments to capture inflation. Variable lease payments are initially measured using the index or rate as at the commencement date of the lease term. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change on exercising a purchase, extension or termination option, if applicable. Upon remeasurement of the lease liability, a corresponding adjustment is reflected to the carrying amount of the right-of-use assets or is recorded in the consolidated statement of comprehensive income (loss) if the carrying amount of the right-of-use assets have been reduced to zero. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. Generally, the Trust uses its incremental borrowing rate as the discount rate and risk adjusts it to consider various factors including the current economic environment, remaining term, and security. The weighted average incremental borrowing rate applied as at the January 1, 2019 date of adoption of IFRS 16 was 4.65%. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of comprehensive income (loss) over the lease period.

The Trust has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low value. Those payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis and are recorded in the consolidated statement of comprehensive income (loss). Short-term leases are identified as those with a lease term of less than one year. Low-value assets are those less than or equal to five thousand dollars.

Prior to December 31, 2018, leases that substantially transfer all the benefits and risks of ownership of property and equipment to the Trust, or otherwise meet the criteria for capitalizing a lease under IFRS, were accounted for as finance leases. An asset was recognized at the time a finance lease was entered into together with its related long-term obligation. Property and equipment recognized under finance leases were amortized on the same basis under income properties or renewable power assets. Payments on operating leases were expensed on a straight-line basis.

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 to retained earnings.

INCOME TAXES

The Trust follows the balance sheet liability method to provide for income taxes on all transactions recorded in its consolidated financial statements. The balance sheet liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused tax losses and unused tax credits, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled.

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the substantive enactment date. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting years (carry-forward period assumptions), it is reasonably possible that actual results could differ from the estimates used in the Trust's historical analysis. If the Trust's results of operations are less than projected and there is insufficient objectively verifiable evidence to support the likely realization of its deferred tax assets, adjustments would be required to reduce or eliminate its deferred tax assets.

UNIT-BASED COMPENSATION PLAN

As described in Note 15, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred Trust units and income deferred Trust units to Trustees, officers, employees and affiliates and their service providers (including the Asset Manager). Unvested deferred Trust 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 units, with changes in fair value recognized in the consolidated statements of comprehensive income (loss).

FINANCIAL INSTRUMENTS

DESIGNATION OF FINANCIAL INSTRUMENTS

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

	Classification
Financial assets	
Development and investment holdings	Fair value through profit or loss
Lending portfolio	Amortized cost/Fair value through profit or loss
Amounts receivable	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities	
Debt	Amortized cost
Amounts payable and accrued liabilities	Amortized cost

The accounting policies for the lending portfolio and development and investment holdings have been discussed previously.

FINANCIAL ASSETS

The Trust classifies its financial assets that give rise to specified payments of principal and interest as amortized cost, unless the Trust plans to sell the financial asset, which is then classified as fair value through other comprehensive income ("FVOCI"). All other financial assets are classified as FVTPL.

Amounts receivable are initially measured at fair value and are subsequently measured at amortized cost less a provision for impairment, if applicable. A provision for impairment on accounts receivable is established based on the simplified approach ECL model. Under the simplified approach ECL model, the Trust estimates lifetime expected losses for its amounts receivables at each balance sheet date based on available information. To measure the expected losses, amounts receivable are grouped based on the days past due. The results of the simplified approach ECL model are used to reduce the carrying amount of the financial asset through an allowance account, and the changes in the measurement of the allowance account are recognized in the consolidated statements of comprehensive income (loss) within 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 operating expenses in the consolidated statements of comprehensive income (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 FVTPL or as amortized cost. Financial liabilities are initially recognized at fair value less related transaction costs. Financial liabilities classified as amortized cost are measured 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 net income in the consolidated statements of comprehensive income (loss) over the expected life of the debt. Modifications of financial liabilities carried at amortized cost that do not result in derecognition give rise to a revaluation gain or loss equal to the change in discounted contractual cash flows using the effective interest rate method. This revaluation gain or loss is recognized in the statement of comprehensive income (loss). The Trust's financial liabilities that are classified as FVTPL are initially recognized at fair value and are subsequently remeasured at fair value each reporting period, with changes in the fair value recognized in the consolidated statements of comprehensive income (loss).

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Trust's foreign operations are measured using the currency of the primary economic environment in which the foreign operations are conducted ("the functional currency"). The functional currency of the Trust's foreign operations located in the United Kingdom ("U.K."), which was sold as at December 31, 2019, was the British pound. The functional currency of the Trust and Canadian operations is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the Trust's presentation currency.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the Trust's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at the exchange rates effective at the financial statement reporting date for monetary assets and liabilities denominated in foreign currencies, if any, are recognized in the consolidated statements of comprehensive income (loss).

FOREIGN OPERATIONS

The results and financial position of the foreign operations are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the date of that consolidated statement of financial position;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income (loss) in the consolidated statements of comprehensive income (loss).

ASSET RETIREMENT OBLIGATIONS

The Trust is subject to certain legal and constructive obligations associated with the retirement of renewable power assets, which are recorded as liabilities when those obligations have occurred and are measured as the present value of the expected costs to settle the liability, discounted at the current pre-tax rate specific to the liability. The liability is accreted up to the date the liability will be incurred, with a corresponding charge to interest expense. The carrying amount of long-term provisions is reviewed quarterly, with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset.

INTEREST EXPENSE

Interest expense includes interest on mortgages payable secured by income properties, interest on term loans, amortization of ancillary costs incurred in connection with the arrangement of borrowing, and interest on the revolving credit facility.

CAPITALIZATION OF BORROWING COSTS

The Trust capitalizes borrowing costs that are directly attributable to qualifying assets by determining whether the borrowings are general or specific to a project. Interest is capitalized during periods of active development and construction, starting from the commencement of development until the date all activities necessary to prepare the asset for its intended use are complete. Interest on general borrowings that are directly attributable to an asset is capitalized based upon a weighted average cost of borrowing. Borrowing costs are capitalized to qualifying assets that necessarily take a substantial period of time to prepare for their intended use or sale. The Trust considers a substantial period of time to be a period longer than nine months to complete.

EQUITY

The Trust presents units as equity, notwithstanding the fact that the Trust's units meet the definition of a financial liability. Under IAS 32, the units are considered a puttable financial instrument because of the holder's option to redeem 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 or 100% of the closing market price on the redemption date. The total amount payable by Dream Alternatives in any calendar month will not exceed $50 unless waived by Dream Alternatives' Board of Trustees at their sole discretion. The Trust has determined that the units can be presented as equity and not financial liabilities because the units have all of the following features, as defined in IAS 32 (hereinafter referred to as the "puttable exemption"):

- 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.
- 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 units for cash or another financial asset, the 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 units over their lives are based substantially on the net income and the changes in the recognized net assets and unrecognized net assets of the Trust over the life of the units.

Units are initially recognized at the fair value of the consideration received by the Trust. Any transaction costs arising on the issuance of 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 has been 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 the passage of time is recognized as interest expense.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets are classified as assets held for sale when their carrying value will be recovered principally through a sale transaction rather than through continuing use. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), the appropriate level of management must be committed to a plan to sell the asset (or disposal group) with an active program to locate a buyer, and its sale must be highly probable within one year.

Assets (or disposal group) are classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Assets and the liabilities of a disposal group classified as held for sale are presented separately from other assets and liabilities in the consolidated statements of financial position. Comparative periods are not adjusted for the classification of assets and liabilities held for sale in the consolidated statements of financial position. Depreciation ceases on assets classified as held for sale.

Assets held for sale that represent a component of an entity which are a separate major line of business or geographical area of operations, part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations, or are a subsidiary acquired exclusively with a view to resale are presented as discontinued operations in the consolidated statements of comprehensive income (loss). Comparative periods are adjusted to distinguish between continuing and discontinued operations.

Classification of assets or a disposal group as held for sale and discontinued operations requires judgment on whether the sale will be highly probable, and whether the sale will be recovered through a sale rather than continuing use of the assets.

ACCOUNTING FOR LEVIES IMPOSED BY GOVERNMENT

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.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

The preparation of 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 to the carrying amount of the affected asset or liability in the future.

CRITICAL ACCOUNTING JUDGMENTS

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

JOINT ARRANGEMENTS, ASSOCIATES AND SUBSIDIARIES

The Trust holds investments in various assets, and its ownership interest in these investments is established through diverse structures. Significant judgment is applied in assessing whether the investment structure results in control, joint control or significant influence over the operations of the investment, or whether the Trust's investment is passive in nature. For joint arrangements, judgment is applied in determining whether the Trust has an interest in the net assets of the arrangement or a direct interest in the underlying assets and a direct obligation for the underlying liabilities of the arrangement. The Trust considers the contractual rights and obligations of the arrangement, and other relevant factors, in determining the appropriate accounting treatment for its investments.

In determining if an entity is a subsidiary of the Trust, the Trust makes significant judgments about whether it has control over such an entity. In addition to voting rights, the Trust considers the contractual rights and obligations arising from other arrangements and other relevant factors relating to an entity in determining if the Trust has power and variable returns. The contractual rights and obligations considered by the Trust include, among others, the approvals and decision-making process over significant operating, financing and investing activities, the responsibilities and scope of decision-making power of the Trust, the termination provisions of agreements, the types and determination of fees paid to the Trust and the significance of any investment by the Trust (if any). The Trust reviews its prior conclusions when facts and circumstances change.

DEVELOPMENT AND INVESTMENT HOLDINGS

Critical judgments are made in determining the fair value of development and investment holdings. The fair values of these investments is reviewed regularly by the Asset Manager with reference to the applicable local market conditions and in discussion with the development's construction management company. The Trust makes judgments with respect to the completion dates of the developments, and the leasing and management cost assumptions for the buildings and/or unit sales in order to determine the Trust's interest and participating income. Generally, the development and investment holdings are valued using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. The discounted cash flow model is calculated based on future interest and participating profit payments as determined by the Asset Manager and project managers' estimates of unit sales proceeds and/or net operating income ("NOI") of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized NOI. Each investment is subject to an appraisal by an independent valuator at least once every three years, if not earlier. The direct comparison approach considered recent activity for similar land parcels in the same market. Land values are estimated using either a per acre or per buildable square foot basis. Additionally, other factors specific to the investments are considered in the determination of the fair value including location, timing, intended use, zoning, density and servicing.

INCOME PROPERTIES

Critical judgments are made in respect of the fair values of income properties. The fair values of these investments are reviewed regularly by the Asset Manager 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 office and industrial buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. Each property is subject to an appraisal by an independent valuator at least once every three years, if not earlier. For income properties not subject to independent appraisals, internal valuations are prepared by the Asset Manager and reviewed during each reporting period.

For income properties, the Asset Manager 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 income 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 income 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 income property.

The Trust exercises judgment in estimating the transaction price for contract revenues with customers. The Trust exercises judgment with regards to the amount and timing of the revenue recognized for CAM service contracts which are satisfied over time. The amount of revenue recognized for CAM services with variable consideration is constrained by the actual costs incurred and any restrictions in lease agreements. The revenues related to these obligations are recorded over time as the obligation of the Trust is to provide the CAM services on an as needed basis throughout the contract period.

The Trust exercises judgment in determining which of its revenue streams that arise from lease agreements are in scope of IFRS 15 and which are not. Specifically, the Trust considers whether a revenue stream related to a lease agreement is for the lease of an asset or is for the provision of a distinct service. Revenues of the latter type are determined to be in scope of IFRS 15, while the former are in scope of IFRS 16, “Leases”.

LENDING PORTFOLIO

Critical judgments are made in determining the fair value of loan investments that are classified as FVTPL. The fair values of these loans are reviewed regularly by the Asset Manager with reference to market interest rates, which considers similar instruments with corresponding maturity dates plus a credit adjustment in accordance with the borrowers creditworthiness as well as the risk characteristics of the underlying development.

DEPRECIATION OF RENEWABLE POWER ASSETS

The Trust makes estimates and assumptions when determining the annual depreciation rates, residual values, and useful lives of its depreciable assets. The assets’ depreciation rates are detailed in Note 3.

BUSINESS COMBINATIONS

Accounting for business combinations under 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 in the form of dividends, lower costs or other economic benefits to investors. 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 the Asset Manager in determining whether an acquisition qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

When determining whether an acquisition is a business combination or an asset acquisition, the Trust applies judgment when considering whether the acquisition is capable of producing outputs and whether the market participant could produce outputs if missing elements exist. In particular, the Trust considers whether employees were assumed in the acquisition and whether an operating platform has been acquired.

IMPAIRMENT

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, equity accounted investments, lending portfolio, intangible assets and renewable power assets. Such estimates and assumptions primarily relate to the timing and amount of future cash flows.

IFRS 9, "Financial Instruments", requires management to use judgment in determining whether the Trust's financial assets require a provision for impairment. The Trust's financial assets are subject to the ECL model whereby the Trust estimates on a forward looking basis possible default scenarios and establishes a provision matrix that considers various factors including industry and sector performance, economic and technological changes, and other external market indicators.

IAS 36, "Impairment of Assets", requires management to use judgment in determining the recoverable amount of non-financial assets tested for impairment. Judgment is involved in estimating the fair value less the cost to sell or value-in-use of the cash-generating units ("CGUs"), including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in accordance with IFRS requires the Trust to make estimates and assumptions that affect the carrying amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amount of total comprehensive income (loss) 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 INCOME PROPERTIES AND DEVELOPMENT AND INVESTMENT HOLDINGS

The fair values of income properties and development and investment holdings are dependent on estimates regarding stabilized or forecasted NOI and capitalization and discount rates applicable to those assets. The determination of stabilized or forecasted NOI incorporates various assumptions including those regarding contractual rents, expected future market rents, renewal rates and maintenance costs. Capitalization and discount rates reflect market uncertainties and are based on the location, size and quality of the asset and current and recent property investment prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of income properties and development and investment holdings may change materially.

VALUATION OF FINANCIAL INSTRUMENTS

The Trust makes estimates and assumptions relating to the fair value measurement and disclosure of the development and investment holdings, lending portfolio, mortgages payable and term loans. The fair values of development holdings, that are not based on recent purchase or bid price, are determined based on discounted cash flows and the direct capitalization rate method using discount rates and capitalization rates that reflect current market conditions for instruments with similar terms and risks. The fair values of investments holdings are determined by applying capitalization rates, which reflect current market conditions for properties with similar terms and risks, to the Asset Manager's assessment of stabilized NOI. There are no quoted prices in an active market for the lending portfolio investments. The Trust determines fair value based on its assessment of the current lending market for lending portfolio investments having the same or similar terms, in consultation with the manager and servicer of the lending portfolio, and other available information. The critical assumptions underlying the fair value measurements and disclosures include the market interest rates for lending portfolio and mortgages and term loans, discount rates for development holdings and stabilized NOI for investment holdings.

For certain financial instruments, including cash, restricted cash, amounts receivable, amounts payable and accrued liabilities, deposits, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity.

5. ADOPTION OF ACCOUNTING STANDARDS

CURRENT ACCOUNTING POLICY CHANGES

The Trust has adopted the following revised standards, along with any consequential amendments, effective January 1, 2019.

LEASES

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract.

Effective January 1, 2019, the Trust has applied IFRS 16, a single accounting model for most leases that requires a lessee to recognize right-of-use assets and lease liabilities for leases. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. The Trust performed an in-depth assessment of its various segments and contracts to identify lease arrangements impacted by IFRS 16. The Trust has elected to apply the modified retrospective approach with the cumulative effect of initially applying the standard recognized at the date of initial application in accordance with transitional provisions. Therefore, the comparative information has not been restated and application of the standard will result in the calculation of the lease liability by discounting the remaining rental payments at the lessee's incremental borrowing rate at January 1, 2019, the date of transition. As a result of its assessment, the Trust identified various land and rooftop leases within its renewable portfolio and the Trust recognized right-of-use assets and a corresponding lease liability for $12,036 in the consolidated statements of financial position as at January 1, 2019. During the year ended December 31, 2019, the renewable power portfolio was sold, which included the right-of-use assets and corresponding lease liability. As at December 31, 2019, the balance of the lease liability was $nil as a result. Refer to "Note 6 - Discontinued Operations".

Operating lease commitments disclosed as at December 31, 2018	$	18,358
Non-lease commitments disclosed as at December 31, 2018		1,051
Total operating commitments disclosed as at December 31, 2018	$	19,409
Discounted using the lessee's incremental borrowing rate as of the date of initial application		(5,247)
Less: Short-term and low-value leases recognized on a straight-line basis as an expense		—
Less: Non-lease commitments		(1,051)
Less: Adjustments as a result of a different treatment of extension and termination options		(1,075)
Lease liability recognized as at January 1, 2019	**$**	**12,036**

INCOME TAXES

IFRIC 23, "Uncertainty over Income Tax Treatments" ("IFRIC 23"), clarifies the application of the recognition and measurement requirements in IAS 12, "Income Taxes" ("IAS 12"), for situations where there is uncertainty over income tax treatments. IFRIC 23 specifically addresses whether an entity considers income tax treatments separately; assumptions that an entity makes regarding the examination of tax treatments by taxation authorities; how an entity determines taxable income or loss, tax bases, unused tax losses or credits, and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 does not apply to taxes or levies outside the scope of IAS 12. This amendment did not have an impact on the Trust's consolidated financial statements.

FUTURE ACCOUNTING POLICY CHANGES

Standards issued but not yet effective up to the date of issuance of the Trust’s consolidated financial statements that are likely to have an impact on the Trust are listed below. This listing is of standards and interpretations issued that the Trust reasonably expects to be applicable at a future date. The Trust intends to adopt those standards when they become effective.

BUSINESS COMBINATIONS

IFRS 3 "Business Combinations" ("IFRS 3") sets out to emphasize that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amended definition of a business is effective on or after January 1, 2020, with earlier application permitted. These amendments will apply to the Trust's future business combinations.

6. DISCONTINUED OPERATIONS

In the year ended December 31, 2019, the Trust sold its renewable power portfolio with a net asset position of $64,829 for gross cash proceeds of $63,730 plus the assumption by the buyer of the assets and liabilities. Upon disposition, the Trust recorded a net loss of $1,099 and realized losses of $4,846 related to the realization of the foreign currency translation reserve and the loss from the derivative financial liabilities hedge. As a result of the sale of the renewable portfolio, the foreign currency translation reserve and the loss from the derivative financial liabilities were fully realized in the consolidated statements of net income.

A summary of assets held for sale is as follows:

For the year ended December 31	Note		**December 31, 2019**
Balance, beginning of year		**$**	**—**
Add (Deduct):			
Reclassified from renewable power assets	10		**139,278**
Reclassified from renewable power segment - working capital			**8,859**
Changes in working capital			**4,913**
Foreign currency loss			**(609)**
Disposition of working capital			**(12,554)**
Disposition of renewable power assets			**(139,887)**
Balance, end of year		**$**	**—**

A summary of liabilities related to assets held for sale is as follows:

For the year ended	Note		December 31, 2019
Balance, beginning of year		**$**	**—**
Add (Deduct):			
Term loans reclassified to liabilities held for sale			**71,591**
Working capital reclassified to liabilities held for sale			**2,466**
Lease liability reclassified to assets held for sale			**11,592**
Term loan repayments			**(1,268)**
Amortization of deferred financing costs			**131**
Changes in working capital			**1,858**
Foreign currency gain			**461**
Disposition of term loans			**(71,326)**
Disposition of liabilities related to assets held for sale - working capital and lease liabilities			**(15,505)**
Balance, end of year		**$**	**—**

A summary of the renewable power-discontinued operations are as follows:

	Note		2019		2018
Total income		**$**	**15,853**	$	17,874
Operating expenses			**(5,208)**		(10,137)
Interest expense			**(3,459)**		(3,672)
Interest and other income			**384**		—
Loss on sale of renewable power portfolio			**(1,099)**		—
Reversal of losses reclassified to net income on disposition of renewable power portfolio:					
Derivative financial liabilities hedges	18		**(2,233)**		—
Foreign currency translation loss	18		**(2,613)**		—
Net income from discontinued operations before income tax recovery (expense)			**1,625**		4,065
Income tax expense from discontinued operations - current			**—**		(9)
Income tax recovery (expense) from discontinued operations - deferred	23		**2,729**		(1,019)
Net income after income tax expense from discontinued operations		**$**	**4,354**	$	3,037

The renewable power segment included operations in foreign jurisdictions. During the year ended December 31, 2019, total income of $2,857 (December 31, 2018 - $2,696) was attributed to operations in foreign jurisdictions. As at December 31, 2019 there were no non-current assets that were attributed to operations in foreign jurisdictions (December 31, 2018 - $19,724). During the year ended December 31, 2019, the Trust recorded total income of $6,620 (December 31, 2018 - $7,354) from an electric transmission and distribution company in the renewable power portfolio.

7. DEVELOPMENT AND INVESTMENT HOLDINGS

The table below provides a continuity of development and investment holdings:

		FVTPL		AFS[1]		Total investment holdings		Development holdings		Total development and investment holdings
Balance as at January 1, 2018	**$**	**3,652**	**$**	**14,799**	**$**	**18,451**	**$**	**72,155**	**$**	**90,606**
Reclassification on the adoption of IFRS 9[1]		14,799		(14,799)		—		—		—
Acquisitions		37,926		—		**37,926**		—		**37,926**
Distributions/capital repayment		(4,886)		—		**(4,886)**		(3,060)		**(7,946)**
Fair value adjustments		2,353		—		**2,353**		(4,330)		**(1,977)**
Balance as at December 31, 2018	**$**	**53,844**	**$**	**—**	**$**	**53,844**	**$**	**64,765**	**$**	**118,609**
Advances		10,795		—		**10,795**		2,750		**13,545**
Distributions/capital repayment		—		—		**—**		(1,778)		**(1,778)**
Dispositions		(10,307)		—		**(10,307)**		—		**(10,307)**
Fair value adjustments		(5,596)		—		**(5,596)**		474		**(5,122)**
Balance as at December 31, 2019	**$**	**48,736**	**$**	**—**	**$**	**48,736**	**$**	**66,211**	**$**	**114,947**

[1] Upon adoption of IFRS 9, the financial instruments previously recorded as available-for-sale ("AFS") are now classified as Fair Value Through Profit and Loss ("FVTPL").

As at December 31, 2019, investment holdings include a hospitality asset and a retail asset within one of the limited partnerships that are recorded as FVTPL. Development holdings, also recorded through FVTPL, includes two long-term participating loans secured by real property comprising two residential assets under development.

During the year ended December 31, 2019, the Trust recorded a net fair value loss of $5,122. This net fair value loss was primarily due to the sale of certain components of its retail properties within investment holdings for gross proceeds of $10,307 and a fair value loss of $3,476 at the time of disposition.

During the year ended December 31, 2018, the Trust invested US $29,000 (CAD $37,926) for an approximate 10% interest in the Hard Rock/Virgin Hotels Las Vegas ("Hard Rock"), with a consortium of partners, led by Juniper Capital partners and Fengate Real Asset Investments. During the year ended December 31, 2019, the Trust invested an additional CAD $10,795 into the investment. This investment is considered an investment holding asset and is classified as FVTPL. As at December 31, 2019, the cash paid continues to approximate fair value, adjusted for foreign currency translation.

The fair value methodologies applied have been consistent with the prior period. For development and investment holdings recently acquired, or where certain bids have been obtained, the fair value is based on the purchase or bid price. The fair value methodologies and material assumptions for each respective category, other than the above noted, are summarized in the table below:

As at			**December 31, 2019**	December 31, 2018
	Method	**Unobservable inputs**	**Range**	Range
Development holdings				
Residential assets under development	Discount future anticipated proceeds from unit closings	Discount rates	**7.0% - 8.0%**	7.0% - 8.0%
Investment holdings				
Limited Partnerships	Calculate value by applying direct capitalization method to stabilized NOI and where applicable discount back to the reporting date	Capitalization rates	-	6.2% - 7.0%

Generally, an increase in anticipated proceeds from unit closings or an increase in stabilized NOI will result in an increase in fair values. An increase in the capitalization rates ("cap rate") or in the discount rates will result in a decrease in fair values.

If the discount rates applied for residential assets under development were to increase by 1%, the fair value of the residential assets under development would decrease by $300. If the discount rate were to decrease by 1%, the fair value would increase by $300.

8. LENDING PORTFOLIO

For the years ended		**December 31, 2019**		December 31, 2018
Balance, beginning of year	**$**	**144,095**	$	161,432
Add (Deduct):				
Lending portfolio advances		**119**		35,042
Changes in accrued interest balance		**(111)**		(776)
Provision for lending portfolio losses		**(2,350)**		—
Interest capitalized to lending portfolio balance		**5,029**		6,113
Premium (discount) on lending portfolio		**752**		(3,546)
Lender fees and extension fees received		**383**		318
Principal repayments at maturity, contractual repayments and prepayments		**(83,212)**		(54,488)
Balance, end of year[1]	**$**	**64,705**	$	144,095
Less: current portion		**51,216**		96,968
Non-current portion of lending portfolio	**$**	**13,489**	$	47,127

[1] Lending portfolio balance includes a loan of $7,301 (December 31, 2018 - $16,574) that is classified as FVTPL.

The table below provides a summary of the Trust's lending portfolio:

As at	December 31, 2019	December 31, 2018
Weighted average interest rate (year-end)	**9.1%**	9.6%
Security allocation (1st mortgages/other)	**47.7% / 52.3%**	69.8% / 30.2%
Maturity dates	**2020 - 2025**	2019 - 2025
Balance of accrued interest	**$ 130**	$ 241
Loans with prepayment options	**30,877**	37,127

During the year ended December 31, 2019, an increase in the existing provision for the lending portfolio resulted in a loss of $2,350 (December 31, 2018 - $nil). The full provision relates to one loan, the value of which was determined based on the net realizable value of the underlying real estate properties and related transaction costs based on internal valuations. The provision for impairment on this loan was established based on the credit adjusted approach ECL model which results in expected credit losses calculated considering an estimate of default over the life of the asset. There was no provision recorded on the remainder of the lending portfolio due to the value of the collateralized properties and the loan to value ratios.

During the year ended December 31, 2019, a loan investment classified as FVTPL, aggregating $7,301 (December 31, 2018 - $16,574), was measured at fair value using a discounted cash flow method. The fair value was determined by discounting the expected cash flows of the loan using an interest rate of 17.5% (December 31, 2018 - 17.6%), which took into consideration similar instruments with corresponding maturity dates plus a credit adjustment in accordance with the borrowers' creditworthiness, as well as the risk profile of the underlying securities. Generally, under this method, a decrease in the market rate will result in an increase to the fair value and an increase in the market rate will result in a decrease to the fair value. If the weighted average market rate were to increase by 25 basis points ("bps"), the fair value of the loan investments would decrease by $100. If the weighted average market rate were to decrease by 25 bps, the fair value would increase by $100.

9. INCOME PROPERTIES

For the year ended	December 31, 2019	December 31, 2018
Balance, beginning of year	**$ 224,310**	$ 219,656
Add (Deduct):		
Building improvements	**4,195**	1,250
Lease incentives and initial direct leasing costs	**3,266**	6,859
Amortization of lease incentives	**(1,626)**	(1,260)
Fair value adjustments to income properties	**15,064**	(2,195)
Disposition of properties	**(44,340)**	—
Balance, end of year	**$ 200,869**	$ 224,310
Change in unrealized gains (losses) included in net income (loss) for the year		
Change in fair value of income properties	**$ 21,194**	$ (2,195)

As at December 31, 2019, the Trust's income properties consisted of three wholly owned office properties, and an interest in an office property co-owned with Dream Office Real Estate Investment Trust ("Dream Office REIT"), which is accounted for as a joint operation.

During the year ended December 31, 2019, the Trust sold its six co-owned industrial properties to Dream Industrial Real Estate Investment Properties ("Dream Industrial REIT") for gross proceeds of $8,069. Net proceeds were $2,641, after the assumption of the mortgage payable by the purchaser.

During the year ended December 31, 2019, the Trust sold its remaining non-core income property, which was co-owned with Dream Office REIT, to a third-party for gross proceeds of $36,271. Net proceeds were $7,857, after the repayment of the mortgage payable by the Trust.

During the year ended December 31, 2019, the Trust recorded a net fair value gain of $15,064 (December 31, 2018 - fair value loss of $2,195) in the consolidated statements of net income (loss). The net fair value gain primarily related to a wholly owned office property, whereby its highest and best use considered the asset's redevelopment potential due to its recent rezoning application submission, thereby the property was valued using the direct comparison approach. The direct comparison approach considered recent activity for similar development/redevelopment sites. The appraised value for this wholly owned property was a higher value than the fair value recorded in the consolidated statement of financial position as it was adjusted for factors specific to the property, which included zoning, density and timing assumptions.

During the year ended December 31, 2019, income properties with a total fair value of $200,869 (December 31, 2018 - $224,310) were valued by an independent third party appraiser at a value of $222,069 (December 31, 2018 - $224,310).

Certain income properties, other than the above noted, are measured at fair value using the income approach, which is derived from the overall capitalization rate method or discounted cash flow method. The fair values of certain income properties were determined by using cap rates of 5.0% to 6.3% (December 31, 2018 – 4.3% to 7.5%), resulting in a weighted average cap rate of 5.9% (December 31, 2018 – 5.9%) and discount rates of 6.0% to 7.3% (December 31, 2018 – 5.8% to 8.8%).

Generally, under the overall cap rate method, an increase in stabilized NOI will result in an increase to the fair value. An increase in the cap rate will result in a decrease to the fair value. The cap rate magnifies the effect of a change in stabilized NOI. If the weighted average cap rate were to increase by 25 bps, the fair value of income properties would decrease by $10,000. If the weighted average cap rate were to decrease by 25 bps, the fair value would increase by $10,000.

As at December 31, 2019, all of the income properties, with a fair value of $200,869 (December 31, 2018 – $224,310), were pledged as security for mortgages.

10. RENEWABLE POWER ASSETS

The table below provides a continuity of renewable power assets:

	Note	Right-of-use	Solar power	Wind power	Total
Balance as at January 1, 2018		$ —	$ 83,381	$ 52,133	**$ 135,514**
Additions to renewable power assets during the year		—	312	277	**589**
Depreciation of renewable power assets		—	(3,530)	(2,476)	**(6,006)**
Foreign currency gain		—	—	518	**518**
Balance as at December 31, 2018		**$ —**	**$ 80,163**	**$ 50,452**	**$ 130,615**
Right-of-use assets recognized on the adoption of IFRS 16[1]		12,036	—	—	**12,036**
Dispositions to renewable power assets during the period		—	(41)	—	**(41)**
Depreciation of renewable power assets		(236)	(1,198)	(844)	**(2,278)**
Foreign currency loss		(219)	—	(835)	**(1,054)**
Transfers to assets held for sale	6	(11,581)	(78,924)	(48,773)	**(139,278)**
Balance as at December 31, 2019		**$ —**	**$ —**	**$ —**	**$ —**

[1] Upon adoption of IFRS 16, the trust has recognized right-of-use assets for leases with terms more than 12 months. Refer to Note 5, " Adoption of Accounting Standards".

As at	**December 31, 2019**	December 31, 2018
Gross book value	**$ 158,248**	$ 147,307
Accumulated depreciation	**(18,970)**	(16,692)
Transfers to assets held for sale	**(139,278)**	—
Total renewable power assets	**$ —**	$ 130,615

During the year ended December 31, 2019, the Trust classified its renewable power assets as assets held for sale and sold the portfolio. For further details refer to Note 6, "Discontinued Operations".

11. OTHER NON-CURRENT ASSETS

As at	**December 31, 2019**	December 31, 2018
Deposits and other	**1,034**	4,246
Intangible assets, net of amortization – wind power contract	**—**	1,636
Straight-line rent receivable	**755**	611
Total	**$ 1,789**	$ 6,493

12. EQUITY ACCOUNTED INVESTMENTS

The Trust participates in various partnerships with other parties for the purpose of investing in various residential and mixed-use investment property developments, which are accounted for using the equity investment method. These partnerships are either considered joint ventures or investments in associates. A joint venture is an arrangement entered into in the form of jointly controlled entities whereby the parties have joint control and have rights to the net assets of the arrangement. Investments in associates are those in which the Trust has significant influence over the arrangement. As at December 31, 2019, the carrying value of these arrangements was $186,713 (December 31, 2018 - $132,528).

During the year ended December 31, 2019, the Axis Condominiums project was completed, which resulted in $16,322 of income recorded at the Trust's share as well as the receipt of cash advances of $17,215.

During the year ended December 31, 2019, the Trust entered into an agreement with Anishnawbe Health Toronto to develop a mixed-use project ("Canary Block 10") within the Canary District, adjacent to the West Don Lands and Distillery District in downtown Toronto. As at December 31, 2019, the Trust along with DAM, together, hold a 33.3% interest in the residential rental component of Canary Block 10, with the remainder owned by Kilmer Van Nostrand Co. Ltd. and Tricon Capital Group. The Trust invested $125, including transaction costs, for a 25% interest in Canary Block 10 with DAM owning 8.3%. The investment is considered to be a joint venture and the equity method of accounting was applied.

During the year ended December 31, 2019, the Trust, along with DAM, acquired the remaining 50% of an existing equity partnership formed for the development of a residential property located in downtown Toronto, Ontario. The Trust, along with DAM, invested $4,458 for the additional 50% in the development investment resulting in the Trust owning a 75% interest and DAM owning the remainder. The project is managed by DAM, which controls the general partner ("GP"). Given the ownership percentage and decision making abilities of the Trust pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting continued to be applied.

During the year ended December 31, 2019, the Trust, along with DAM, increased its interest in a retail shopping centre and residential mixed-use development investment opportunity located at 100 Steeles Ave. West in Toronto, Ontario ("100 Steeles") to 50%. The Trust initially invested $2,156 for an additional interest in the investment resulting in the Trust increasing its ownership to 37.5% in 100 Steeles, with DAM owning the remaining 12.5%. Given the ownership percentage and the ability to exercise significant influence pursuant to the partnership agreements, the Trust is considered to have significant influence over this investment, and accordingly, the equity method of accounting continued to be applied.

During the year ended December 31, 2018, the Trust entered into a partnership with Parallax Jardun Inc. ("Parallax") for purposes of investing in a mixed use condominium development ("Queen & Mutual"), located in downtown Toronto. The investment acquired various retail investment properties located along the Mutual Street and Queen Street East intersection. Through a 45% interest in the partnership, the Trust, along with Parallax, acquired a 20% equity investment in the development. The Trust initially invested $1,242, including transaction costs. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2018, the Trust formed a partnership to develop a new residential rental apartment community in Toronto’s West Don Lands region. The partnership entered into 99-year land leases with Infrastructure Ontario ("IO") for land parcels that will be developed into approximately 1,500 rental units as well as retail and office space. The Trust, along with DAM, together hold a 33.3% ownership share in the partnership with the residual interest held by Kilmer Van Nostrand and Tricon Capital Group. The Trust initially invested $837, including transaction costs, for a 25% interest in the West Don Lands investment with DAM owning 8.3%. The investment is considered to be a joint venture and the equity method of accounting was adopted.

During the year ended December 31, 2018, the Trust entered into a partnership which included Fieldgate Homes, Mattamy Homes, Paradise Developments, and TACC Construction Ltd. The partnership invested in a fully-zoned 395-acre land and housing development located in Seaton, in the City of Pickering, Ontario ("Seaton Development"). During the year ended December 31, 2018, the Trust, along with Fieldgate Homes, acquired a 14% equity investment in the partnership, of which the Trust owns 50%. The Trust initially invested a total of $9,050 for its interest in the partnership through a combination of loans and equity investment. The investment is considered to be a joint venture and the equity method of accounting was adopted.

Each equity accounted investment is subject to a shareholder or limited partnership agreement that governs distributions from these investments. In addition, distributions must also comply with the respective credit agreements.

The following tables summarize the Trust's proportionate share of the net assets of the equity accounted investments:

As at December 31, 2019	100% project level Asset	Liabilities	Net assets	Ownership interest	Net assets
Frank Gehry	$ 397,321	$ 273,647	$ 123,674	18.75%	$ 23,189
Brightwater[1]	274,230	110,325	163,905	23.25%	38,108
Zibi	248,809	114,379	134,430	40.00%	53,772
Lakeshore East	67,562	30,012	37,550	37.50%	14,081
West Don Lands	141,714	106,526	35,188	25.00%	8,797
100 Steeles	32,501	10,914	21,587	37.50%	8,095
Axis Condominiums	126,291	1,250	125,041	28.00%[2]	18,381
Other[3]	226,754	114,612	112,142	7.00% - 50.00%	22,290
Total	**$ 1,515,182**	**$ 761,665**	**$ 753,517**		**$ 186,713**

[1] Formerly known as Port Credit Development.
[2] Effective economic interest of 14.7% based on milestone achieved per partnership agreement.
[3] Other equity accounted investments includes IVY Condominiums, Plaza Bathurst, Plaza Imperial, Seaton development, Canary Block 10 and Queen & Mutual.

As at December 31, 2018	100% project level Asset	Liabilities	Net assets	Ownership interest	Net assets
Frank Gehry	$ 378,422	$ 260,395	$ 118,027	18.75%	$ 22,130
Brightwater[1]	265,363	124,167	141,196	23.25%	32,828
Zibi	193,516	97,521	95,995	40.00%	38,398
Lakeshore East	64,363	30,040	34,323	37.50%	12,871
West Don Lands	69,809	62,025	7,784	25.00%	1,946
100 Steeles	31,866	7,390	24,476	25.00%	6,119
Axis Condominiums	135,701	128,516	7,185	28.00%	2,012
Other[2]	210,642	110,948	99,694	7.00% - 50.00%	16,224
Total	**$ 1,349,682**	**$ 821,002**	**$ 528,680**		**$ 132,528**

[1] Formerly known as Port Credit Development.
[2] Other equity accounted investments includes IVY Condominiums, Plaza Bathurst, Plaza Imperial, Seaton development and Queen & Mutual.

The following tables summarize the Trust's proportionate share of revenue and net income (loss) in the equity accounted investments:

For the year ended December 31, 2019	100% project level Revenue	Net income (Loss)	Ownership interest	Revenue	Net income (Loss)
Frank Gehry	$ 2,278	$ (1,855)	18.75%	$ 427	$ (348)
Brightwater[1]	59	(511)	23.25%	14	(119)
Zibi	5,191	(3,618)	40.00%	2,076	(1,447)
Lakeshore East	395	269	37.50%	148	101
West Don Lands	996	21,995	25.00%	249	5,499
100 Steeles	2,355	(1,441)	37.50%	883	(540)
Axis Condominiums	281,171	111,034	28.00%[2]	41,332	16,322
Other[3]	2,415	8,912	7.00% - 75.00%	822	3,453
Total	**$ 294,860**	**$ 134,785**		**$ 45,951**	**$ 22,921**

[1] Formerly known as Port Credit Development.
[2] Effective economic interest of 14.7% based on milestone achieved per partnership agreement.
[3] Other equity accounted investments includes IVY Condominiums, Plaza Bathurst, Plaza Imperial, Seaton development, Block 10 and Queen & Mutual.

For the year ended December 31, 2018	100% project level Revenue	Net income (Loss)	Ownership interest	Revenue	Net income (Loss)
Frank Gehry	$ 5,124	$ 787	18.75%	$ 961	$ 148
Brightwater[1]	—	(98)	23.25%	—	(23)
Zibi	19,987	1,706	40.00%	7,995	682
Lakeshore East	132	(165)	37.50%	50	(62)
West Don Lands	597	576	25.00%	149	144
100 Steeles	2,168	224	37.50%	542	56
Axis Condominiums	—	(16)	28.00%	—	(3)
Other[2]	1,539	(327)	7.00% - 75.00%	607	(129)
Total	**$ 29,547**	**$ 2,687**		**$ 10,304**	**$ 813**

[1] Formerly known as Port Credit Development.
[2] Other equity accounted investments includes IVY Condominiums, Plaza Bathurst, Plaza Imperial, Seaton development and Queen and Mutual.

13. AMOUNTS RECEIVABLE

As at		December 31, 2019		December 31, 2018
Trade receivables	$	3,224	$	3,032
Less: Provision for impairment of trade receivables		—		(139)
Other amounts receivable		5,895		570
Total	$	9,119	$	3,463

The movement in the provision for impairment of trade receivables was as follows:

For the year ended		December 31, 2019		December 31, 2018
Balance, beginning of year	$	139	$	437
Provision for impairment of trade receivables		(139)		(280)
Receivables written off during the period as uncollectible		—		(18)
Balance, end of year	$	—	$	139

The carrying value of amounts receivable approximates fair value as the Trust expects to realize these amounts within the next 12 months. As at December 31, 2019, trade receivables of $75 (December 31, 2018 – $44) were past due but not considered impaired as the Trust has ongoing relationships with these counterparties and the aging of these trade receivables is not indicative of expected default.

The Trust leases office and retail properties to tenants under operating leases. Minimum rental commitments including non-cancellable tenant operating leases over the remaining terms are as follows:

As at December 31, 2019		
No more than 1 year	$	8,622
1 year		8,297
2 years		7,535
3 years		7,113
4 years		5,641
5+ years		18,355
Total	$	55,563

14. DEBT

As at		December 31, 2019		December 31, 2018
Mortgages payable	$	89,269	$	122,684
Term loans		—		75,970
Total debt before undernoted	$	89,269	$	198,654
Unamortized balance of deferred financing costs		(281)		(3,162)
Total	$	88,988	$	195,492
Less: current portion		878		32,646
Total non-current long-term debt	$	88,110	$	162,846

		Outstanding balance
2020	$	878
2021		10,975
2022		77,416
Balance as at December 31, 2019	$	89,269

DEBT CONTINUITY

		Term loans - discontinued operations		Mortgages payable		Total debt
Balance as at January 1, 2018	$	**76,720**	$	**123,057**	$	**199,777**
Regular repayments		(3,599)		(1,065)		(4,664)
Deferred financing cost amortization		157		222		379
Balance as at December 31, 2018	$	**73,278**	$	**122,214**	$	**195,492**
Assumed debt on disposition		(71,326)		(5,410)		(76,736)
Regular repayments		(2,083)		(1,013)		(3,096)
Lump sum repayments		—		(27,008)		(27,008)
Deferred financing cost amortization		131		205		336
Balance as at December 31, 2019	$	**—**	$	**88,988**	$	**88,988**

MORTGAGES PAYABLE

Mortgages payable are secured by charges on specific income properties, bear interest at a weighted average face rate of 3.6% (December 31, 2018 – 3.5%) and mature between 2021 and 2022. During the year ended December 31, 2019, lump sum principal repayments of $27,008 (December 31, 2018 – $nil) related to a non-core income property which was settled by the Trust. During the year ended December 31, 2019, regular mortgage principal repayments were $1,013 and regular term loan repayments were $2,083 (December 31, 2018 – $4,664).

During the year ended December 31, 2019, a mortgage payable on an income property co-owned with Dream Office REIT was amended, resulting in no principal repayments being required until the maturity date in 2022.

TERM LOANS AND RESTRICTED CASH

As at December 31, 2019, the term loan and restricted cash balance were both $nil (December 31, 2018 - $75,970 and $3,555, respectively). Both of these balances related to the renewable power portfolio - discontinued operations which was disposed during the year ended December 31, 2019 (refer to Note 6 "Discontinued Operations").

REVOLVING CREDIT FACILITY

A demand revolving credit facility (the "facility") is available to the Trust up to a formula-based maximum not to exceed $50,000. The available credit under the facility, as determined by the formula, was $9,254, as at December 31, 2019 (December 31, 2018 - $39,395). The facility is in the form of rolling one-month Bankers' Acceptance ("BA") rates and bears interest at the BA rate plus 2.0%, or at the bank's prime rate plus 1.0% (3.95% as at December 31, 2019, and December 31, 2018), payable monthly. The facility is secured by a general security agreement over all assets of Dream Alternatives Lending Services LP and Dream Alternatives Master LP, which are subsidiaries of the Trust. As at December 31, 2019, funds available under the facility were $8,894 (December 31, 2018 –$38,000), net of $360 (December 31, 2018 – $1,395) of letters of credit issued against the facility. As at December 31, 2019, no funds were drawn on the revolving credit facility (December 31, 2018 – $nil). During the year ended December 31, 2019, the facility was renewed with certain financial covenant requirements amended and the maturity date extended to July 31, 2021.

FINANCIAL COVENANTS

The revolving credit facility, the financial guarantees, and certain mortgages on income properties contain financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to meet these tests could result in default and, if not cured or waived, could result in an acceleration of the repayment in the underlying financing. As at December 31, 2019, the Trust was in compliance with these financial covenants.

15. DEFERRED UNIT INCENTIVE PLAN ("DUIP")

The DUIP provides for the grant of deferred Trust Units ("DTUs") to Trustees, officers and employees as well as affiliates and their service providers, including the Asset Manager. DTUs are granted at the discretion of the Trustees and receive distributions in the form of income deferred Trust Units as they are declared and paid by the Trust. Once granted, each DTU and the related distribution of income deferred Trust Units from such DTUs vest evenly over a three-year or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to postpone the receipt of Units, such Units will be issued immediately on vesting. As at December 31, 2019, up to a maximum of 3,000,000 DTUs were issuable under the DUIP. Distributions on the unvested DTUs are paid in the form of Units converted at the market price on the date of distribution.

		Total
Balance as at January 1, 2018	$	1,524
Compensation expense		758
Trust units issued		(309)
Re-measurements of carrying value of deferred trust units		193
Balance as at December 31, 2018		**2,166**
Compensation expense		**784**
Trust units issued		**(1,075)**
Re-measurements of carrying value of deferred trust units		**1,086**
Balance as at December 31, 2019	**$**	**2,961**

The following is a summary of the Trust's DUIP activity:

For the year ended	**December 31, 2019**	December 31, 2018
Units outstanding, beginning of the year	**457,488**	347,308
Granted	**150,331**	141,709
Distributions paid in units	**26,401**	24,906
Vested and paid out	**(142,606)**	(47,890)
Cancelled	**(14,009)**	(8,545)
Units outstanding, end of the year	**477,605**	457,488

During the year ended December 31, 2019, $784 (December 31, 2018 – $758) of compensation expense, related to the DTU's and a fair value loss of $1,086 (December 31, 2018 – $193), representing the re-measurement of the DUIP liability during the period were recognized in general and administrative expenses. As at December 31, 2019, 146,463 (December 31, 2018 – 120,316) DTUs that vested remained unexercised.

16. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

As at		**December 31, 2019**		December 31, 2018
Accrued liabilities and other payables	**$**	**27,644**	$	15,820
Other liabilities		**500**		3,613
Distributions payable		**2,292**		2,420
Accrued interest		**232**		188
Rent received in advance		**1,458**		1,681
Total	**$**	**32,126**	$	23,722

17. UNITHOLDERS' EQUITY

DREAM ALTERNATIVES UNITS

Dream Alternatives is authorized to issue an unlimited number of units and an unlimited number of Special Trust Units ("STUs"). Each unit represents an undivided beneficial interest in the Trust. Each unit is transferable and entitles the holder thereof to:

- an equal participation in distributions of the Trust;
- rights of redemption; and
- one vote at meetings of unitholders.

The STUs may only be issued to holders of exchangeable securities and entitle the holder to exchange the exchangeable securities for units. The STUs have a nominal redemption value, entitle the holder to vote at the Trust level and do not receive distributions. At December 31, 2019, there were no STUs issued and outstanding.

DISTRIBUTIONS

Pursuant to its Declaration of Trust, Dream Alternatives expects 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 determined by the Trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. The Trustees may declare distributions out of the income, net realized capital gains and capital of the Trust to the extent such amounts have not already been paid, allocated or distributed. The following table provides details of the distribution payments:

For the year ended		**December 31, 2019**	December 31, 2018
Paid in cash	**$**	**26,730**	$ 20,127
Paid by way of reinvestment in units		**1,779**	9,167
Payable at beginning of period		**(2,420)**	(2,414)
Payable at end of period		**2,292**	2,420
Total	**$**	**28,381**	$ 29,300

On December 19, 2019, the Trust announced a cash distribution of $0.033 per unit for the month of December 2019. The monthly distribution for December 2019 was paid on January 15, 2020. On January 22, 2020, the Trust announced a cash distribution of $0.033 per unit for the month of January 2020, which was paid on February 14, 2020 to unitholders of record as at January 31, 2020.

DISTRIBUTION REINVESTMENT AND UNIT PURCHASE PLAN

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allowed holders of units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dream Alternatives reinvested in additional units. Unitholders who participated in the DRIP received an additional distribution of units equal to 4% of each cash distribution that was reinvested.

On February 20, 2019, the Trust announced the suspension of its DRIP until further notice effective for the February 2019 distribution. During the year ended December 31, 2019, 271,551 units were issued under the DRIP (year ended December 31, 2018 - 1,400,255).

UNIT BUYBACK PROGRAM

The following table summarizes the Trust's unitholders' equity activity under its Substantial Issuer Bid ("SIB") and Normal Course Issuer Bid ("NCIB") program for the years ended as indicated:

For the year ended		**December 31, 2019**	December 31, 2018
Units repurchased (number of units)		**4,876,984**	1,273,109
Total cash consideration	**$**	**38,053**	$ 8,350

During the year ended December 31, 2019, 4,876,984 units (year ended December 31, 2018 - 1,273,109 units) were purchased at a cost of $38,053 (year ended December 31, 2018 - $8,350), including 4,000,000 units repurchased for $32,000, and 876,984 units repurchased for $6,053 related to the SIB and NCIB, respectively.

The Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 11, 2019. The bid commenced on January 15, 2019 and will remain in effect until the earlier of January 14, 2020 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid the Trust has the ability to purchase for cancellation up to a maximum of 6,066,081 units (representing 10% of the Trust’s public float of 60,660,817 units at the time of entering the bid through the facilities of the TSX). Daily purchases were limited to 8,281 units which equals 25% of the average daily trading volume during the last six calendar months (being 33,126 units per day), other than purchases pursuant to applicable block purchase exceptions.

Subsequent to December 31, 2019, the Trust received acceptance of its Notice of Intention to renew its prior NCIB from the TSX on January 16, 2020. The bid commenced on January 20, 2020 and will remain in effect until the earlier of January 19, 2021 or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid the Trust has the ability to purchase for cancellation up to a maximum of 5,256,231 units (representing 10% of the Trust’s public float of 52,562,317 units at the time of entering the bid through the facilities of the TSX). Daily purchases were limited to 8,281 units which equals 25% of the average daily trading volume during the last six calendar months (being 33,126 units per day), other than purchases pursuant to applicable block purchase exceptions. As at December 31, 2019, the number of issued and outstanding units is 68,763,987.

During the year ended December 31, 2019, the Trust entered into an automatic securities repurchase plan (the "Plan") in order to facilitate purchases of its units under the NCIB. The Plan allows for purchases by Dream Alternatives of units at any time including, without limitation, times when the Trust would ordinarily not be permitted to make purchases due to regulatory restrictions or self-imposed blackout periods. Purchases will be made by the Trust based upon the parameters prescribed by the

TSX and the terms of the parties' written agreement. Outside of such restricted or blackout periods, the units may also be purchased in accordance with management's discretion. The Plan terminated on January 14, 2020. Subsequent to December 31, 2019, the Trust renewed the Plan which will expire on January 19, 2021.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unamortized realized fair value gain (loss) from derivative financial liability hedge, net of tax	Fair value adjustments to and realized fair value losses from available-for-sale investments, net of tax	Unrealized foreign currency translation gain (loss)	Total
Balance as at January 1, 2018	$ (1,810)	$ 295	$ (2,735)	**$ (4,250)**
Other comprehensive income during the year	—	—	467	**467**
Realized fair value income on financial liabilities hedge	99	—	—	**99**
Reclassification on adoption of IFRS 9[1]	—	(295)	—	**(295)**
Balance as at December 31, 2018	**$ (1,711)**	**$ —**	**$ (2,268)**	**$ (3,979)**
Foreign currency exchange loss during the year	—	—	(345)	**(345)**
Realized fair value income on financial liabilities hedge	53	—	—	**53**
Reversal of losses reclassified to net income on disposition of renewable power portfolio	1,658	—	2,613	**4,271**
Balance as at December 31, 2019	**$ —**	**$ —**	**$ —**	**$ —**

[1] As at December 31, 2018, upon the adoption of IFRS 9, the Trust reclassified $295, net of tax, of unrealized fair value adjustments from AFS investments previously reflected in OCI, as an opening retained earnings adjustment.

During the year ended December 31, 2019, the Trust disposed of its renewable power portfolio (refer to Note 6 "Discontinued Operations"), resulting in the realization of the foreign currency translation reserve and the loss from the derivative financial liability hedge into the consolidated statements of net income (loss).

In the year ended December 31, 2019, the realized fair value loss from the derivative financial liability hedges are net of income taxes of $623 (December 31, 2018- $36).

19. INCOME PROPERTIES REVENUE

For the year ended	**December 31, 2019**	December 31, 2018
Rental revenue	**$ 13,163**	$ 13,742
CAM and parking services revenue	**10,405**	10,329
Total	**$ 23,568**	$ 24,071

20. INCOME PROPERTIES OPERATING EXPENSES

For the year ended	**December 31, 2019**	December 31, 2018
Income properties operating costs	**$ 8,252**	$ 8,116
Realty tax expense	**4,181**	3,924
Salary and other compensation	**517**	495
Total	**$ 12,950**	$ 12,535

21. INTEREST EXPENSE

For the year ended	**December 31, 2019**	December 31, 2018
Interest expense incurred, at contractual rate of debt and other bank charges	**$ 4,806**	$ 5,070
Amortization of deferred financing costs	**205**	222
Total	**$ 5,011**	$ 5,292

22. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended		**December 31, 2019**		December 31, 2018
Salary and other compensation	**$**	**3,041**	$	1,983
Trust, service and professional fees		**3,033**		2,164
General office and other		**464**		472
Asset management and other third-party service fees		**8,396**		10,417
Total	**$**	**14,934**	$	15,036

23. INCOME TAXES

During the year ended December 31, 2019, the Trust recognized an income tax expense of $4,358 (income tax expense for the year ended December 31, 2018 – $684).

For the year ended		**December 31, 2019**		December 31, 2018
Current income tax recovery:				
Current income taxes with respect to profits in the year	**$**	**—**	$	18
Current income tax recovery:	**$**	**—**	$	18
Deferred income tax recovery (expense):				
(Origination) and reversal of temporary differences		**(7,006)**		480
Deferred tax adjustments in respect of prior years		**(70)**		(145)
Impact of changes in income tax rates		**(11)**		(9)
Deferred income tax recovery (expense)	**$**	**(7,087)**	$	326
Total income tax recovery (expense) from continuing operations	**$**	**(7,087)**	$	344
Total income tax recovery (expense) from discontinued operations	**$**	**2,729**	$	(1,028)
Income tax expense	**$**	**(4,358)**	$	(684)

The income tax expense amount on pre-tax earnings differs from the income tax expense amount that would arise using the combined Canadian federal and provincial statutory tax rate of 26.7% for the year ended December 31, 2019 (December 31, 2018 – 26.8%) as illustrated in the table below:

For the year ended		**December 31, 2019**		December 31, 2018
Earnings before income tax expense for the year	**$**	**35,064**	$	10,521
Combined federal and provincial tax rate		**26.7%**		26.8%
Income tax expense before the undernoted	**$**	**(9,362)**	$	(2,822)
Effect on taxes of:				
Adjustment in expected future tax rates		**(11)**		(9)
Non-deductible expenses		**(367)**		(123)
Difference between Canadian rates and rates in foreign jurisdiction		**(14)**		15
Tax adjustments in respect of prior years		**(70)**		(145)
Rate differences		**2,193**		539
Change in unrecognized deferred tax asset		**544**		2,892
Other items		**—**		(3)
Total income tax recovery (expense)	**$**	**(7,087)**	$	344

The movement in the deferred income tax assets and liabilities during the year ended December 31, 2019 and the net components of the Trust's net deferred income tax asset (liability) are illustrated in the following table:

	Income properties	Renewable power	Lending portfolio	Development and investment holdings	Other	Hedge	Loss carry-forward	**Total**
Balance as at January 1, 2018	$ (3,310)	$ (2,893)	$ 986	$ (3,462)	$ 209	$ 659	$ 8,863	**$ 1,052**
(Charged) credited to:								
(Loss) Earnings for the year	(251)	(894)	(235)	2,996	(1,198)	—	(1,111)	**(693)**
Other comprehensive income	—	—	—	—	—	(36)	—	**(36)**
Balance as at December 31, 2018	**$ (3,561)**	**$ (3,787)**	**$ 751**	**$ (466)**	**$ (989)**	**$ 623**	**$ 7,752**	**$ 323**
(Charged) credited to:								
(Loss) earnings for the year	**(7,387)**	**3,644**	**(509)**	**3,248**	**(1,073)**	**—**	**(2,281)**	**(4,358)**
Charge to gain on sale	**—**	**143**	**—**	**—**	**—**	**—**	**—**	**143**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(623)**	**—**	**(623)**
Balance as at December 31, 2019	**$ (10,948)**	**$ —**	**$ 242**	**$ 2,782**	**$ (2,062)**	**$ —**	**$ 5,471**	**$ (4,515)**

24. SEGMENTED INFORMATION

As at December 31, 2019, the Trust has identified its reportable operating segments as development and investment holdings, lending portfolio and income properties based on how the chief operating decision-maker views the financial results of the business. As at December 31, 2019, the Trust's renewable power segment was classified as discontinued operations. For further details refer to Note 6, "Discontinued Operations".

For the years ended December 31, 2019 and December 31, 2018, a majority of income tax (expense) recoveries and general and administrative expenses were not allocated to the segment expenses as these costs are not specifically managed on a segmented basis.

SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2019

	Development and investment holdings	Lending portfolio	Income properties	Other[1]	Total
INCOME					
Fair value adjustments and operating cash distributions in development and investment holdings	$ (4,844)	$ —	$ —	$ —	**$ (4,844)**
Lending portfolio interest income and lender fees	—	12,809	—	—	**12,809**
Income properties revenue	—	—	23,568	—	**23,568**
Share of income from equity accounted investments	22,921	—	—	—	**22,921**
TOTAL INCOME	**18,077**	**12,809**	**23,568**	**—**	**54,454**
EXPENSES					
Income properties, operating	—	—	(12,950)	—	**(12,950)**
Interest expense	—	—	(4,463)	(548)	**(5,011)**
Provision for lending portfolio losses	—	(2,350)	—	—	**(2,350)**
General and administrative	—	—	—	(14,934)	**(14,934)**
TOTAL EXPENSES	**—**	**(2,350)**	**(17,413)**	**(15,482)**	**(35,245)**
Fair value adjustments to income properties	—	—	15,064	—	**15,064**
OPERATING INCOME (LOSS)	**18,077**	**10,459**	**21,219**	**(15,482)**	**34,273**
Interest and other income	1,350	—	173	789	**2,312**
Transaction costs	—	(14)	(295)	(1,212)	**(1,521)**
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)	**19,427**	**10,445**	**21,097**	**(15,905)**	**35,064**
INCOME TAX EXPENSE					
Deferred income tax expense	—	—	—	(7,087)	(7,087)
TOTAL INCOME TAX EXPENSE	**$ —**	**$ —**	**$ —**	**$ (7,087)**	**$ (7,087)**
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS	**19,427**	**10,445**	**21,097**	**(22,992)**	**27,977**
TOTAL COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS	**$ 19,427**	**$ 10,445**	**$ 21,097**	**$ (22,992)**	**$ 27,977**

[1] Includes other Trust amounts not specifically related to the segments.

SEGMENTED RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2018

	Development and investment holdings	Lending portfolio	Income properties	Other[1]	Total
INCOME					
Fair value adjustments and operating cash distributions in development and investment holdings	$ (1,260)	$ —	$ —	$ —	**$ (1,260)**
Lending portfolio interest income and lender fees	—	15,651	—	—	**15,651**
Income properties revenue	—	—	24,071	—	**24,071**
Share of income from equity accounted investments	813	—	—	—	**813**
TOTAL INCOME (LOSS)	**(447)**	**15,651**	**24,071**	**—**	**39,275**
EXPENSES					
Income properties, operating	—	—	(12,535)	—	**(12,535)**
Interest expense	—	—	(4,523)	(769)	**(5,292)**
General and administrative	—	—	—	(15,036)	**(15,036)**
TOTAL EXPENSES	**—**	**—**	**(17,058)**	**(15,805)**	**(32,863)**
Fair value adjustments to income properties	—	—	(2,195)	—	**(2,195)**
OPERATING INCOME (LOSS)	**(447)**	**15,651**	**4,818**	**(15,805)**	**4,217**
Interest and other income	1,350	—	1,114	849	**3,313**
Transaction costs	—	(101)	(274)	—	**(375)**
Fair value adjustments to marketable securities	—	—	3,657	(291)	**3,366**
EARNINGS (LOSS) BEFORE INCOME TAX RECOVERY (EXPENSE)	**903**	**15,550**	**9,315**	**(15,247)**	**10,521**
INCOME TAX RECOVERY					
Current income tax recovery	—	—	—	18	**18**
Deferred income tax recovery	—	—	—	326	**326**
TOTAL INCOME TAX RECOVERY	**$ —**	**$ —**	**$ —**	**$ 344**	**$ 344**
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS	**$ 903**	**$ 15,550**	**$ 9,315**	**$ (14,903)**	**$ 10,865**

[1] Includes other Trust amounts not specifically related to the segments.

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2019

As at December 31, 2019	Development and investment holdings	Lending portfolio	Income properties	Other(1)	**Total**
ASSETS					
Total non-current assets	$ 301,660	$ 13,489	$ 201,779	$ 879	**$ 517,807**
Total current assets	7,929	51,216	6,456	112,733	**178,334**
TOTAL ASSETS	**$ 309,589**	**$ 64,705**	**$ 208,235**	**$ 113,612**	**$ 696,141**
LIABILITIES					
Total non-current liabilities	$ —	$ —	$ 88,110	$ 7,476	**$ 95,586**
Total current liabilities	17,142	—	8,950	6,912	**33,004**
TOTAL LIABILITIES	**$ 17,142**	**$ —**	**$ 97,060**	**$ 14,388**	**$ 128,590**

(1) Includes the Trust and other segment level cash and net working capital balances.

SEGMENTED ASSETS AND LIABILITIES – AS AT DECEMBER 31, 2018

As at December 31, 2018	Development and investment holdings	Lending portfolio	Income properties	Renewable power - discontinued operations	Other(1)	**Total**
ASSETS						
Total non-current assets	$ 254,794	$ 47,127	$ 225,076	$ 132,251	$ 757	**$ 660,005**
Total current assets	642	96,968	9,081	10,179	36,432	**153,302**
TOTAL ASSETS	**$ 255,436**	**$ 144,095**	**$ 234,157**	**$ 142,430**	**$ 37,189**	**$ 813,307**
LIABILITIES						
Total non-current liabilities	$ —	$ —	$ 93,236	$ 69,610	$ 2,166	**$ 165,012**
Total current liabilities	632	1,875	38,959	6,967	7,935	**56,368**
TOTAL LIABILITIES	**$ 632**	**$ 1,875**	**$ 132,195**	**$ 76,577**	**$ 10,101**	**$ 221,380**

(1) Includes the Trust and other segment level cash and net working capital balances.

25. RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, the Trust and its subsidiaries enter into transactions with related parties that are contracted under commercial terms. On January 1, 2018, Dream acquired control of the Trust, based on Dream's increased exposure to variable returns resulting from increased ownership through units held in the Trust and from new real estate joint venture agreements. DAM, which is a wholly owned subsidiary of Dream Unlimited Corp. (TSX: DRM), is the Trust's Asset Manager and is a related party and provides management personnel services to the Trust under the terms of the management agreement.

ASSET MANAGEMENT AGREEMENT

On July 8, 2014, the Trust entered into a management agreement (the "Management Agreement") with DAM, pursuant to which DAM provides a broad range of asset management services to the Trust for the following fees:

- Base annual management fee calculated and payable on a monthly basis, equal to 1.00% of the gross value of the initial assets at the Trust's Listing, plus the gross cost of any asset acquired on the date of such acquisition, plus the gross amount invested in any assets following acquisition, less the gross amount previously included in the calculation of this amount in respect of any asset disposed of or repaid;
- Acquisition/origination fee equal to:
  - (a) 0.40% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of less than five years;
  - (b) 1.00% of the principal amount of any loan originated by the Trust or a subsidiary having an expected term of five years or more; and
  - (c) 1.00% of the gross cost of any asset acquired or originated by the Trust or a subsidiary represented by all other investments, assets or projects; and
- Disposition fee equal to 0.25% of the gross sale proceeds of any asset (including all indebtedness) sold by the Trust or any subsidiary represented by loans, investments, assets or projects disposed of during the fiscal year, including any part of the initial assets, except for the disposition of individual loans having a term to maturity of 12 months or less and excluding the regular and scheduled repayment of loans.

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

Pursuant to the Management Agreement, the Trust incurred the following amounts:

		2019		2018
Fees paid/payable by the Trust under the Management Agreement:				
Base annual management fee	**$**	**8,225**	$	9,841
Acquisition/origination fee and disposition fees		**821**		1,555
Expense recoveries relating to financing arrangements and other		**1,799**		2,186
Total	**$**	**10,845**	$	13,582

Effective April 1, 2019, the Trust agreed to settle the asset management fees payable pursuant to the Management Agreement in units of the Trust, until December 31, 2020. During the year ended December 31, 2019, the Trust settled the management fee payable through a combination of cash settlements of $3,805 and the issuance of 633,992 units. Subsequent to December 31, 2019, the Trust settled its management fee to DAM with the issuance of 358,870 units.

PROPERTY MANAGEMENT AGREEMENT

The Trust's co-owned office property is managed by Dream Office Management Corporation ("DOMC"). Effective February 1, 2018, the Trust's wholly owned office properties, previously managed by DAM, are now managed by DOMC. DOMC is owned by Dream Office REIT. As a result of Dream acquiring control of the Trust, as at January 1, 2018, Dream Office REIT is a related party to the Trust. Pursuant to the property management agreements, DOMC will perform property management services including tenant administration, accounting, etc., for a fee of 3.5% of income property revenues. Additionally, DOMC will perform services with respect to the leasing and construction management of the office properties for a fee equal to expenses or a percentage of the expenses incurred for each property. The property management agreement can be terminated upon an unremedied default by the property manager, DOMC, or if there is a change in the ownership of the property. During the year ended December 31, 2019, as a result of the Trust's disposition of the industrial properties, the property management agreement with Dream Industrial Management Corporation ("DIMC"), whereby DIMC managed the Trust's co-owned industrial portfolio, was terminated.

SERVICE AGREEMENT

The Trust entered into a services agreement ("Service Agreement") with DOMC, on July 8, 2014. The Service Agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the Service Agreement is terminated in accordance with its terms or by mutual agreement of the parties. The Service Agreement was renewed on July 8, 2015. Pursuant to the Service Agreement, DOMC provides administrative and support services including the use of office space, office equipment, communication services and computer systems, and the provision of personnel in connection with accounts payable, human resources, taxation and other services. DOMC receives a monthly fee sufficient to reimburse it for all the expenses incurred in providing these services.

FRAMEWORK AGREEMENT

Effective January 1, 2018, the Trust entered into a Framework Agreement with DAM with respect to their management of development investments. Pursuant to the Framework Agreement DAM will manage certain development investments that are co-owned by the Trust and DAM. The Framework Agreement can be terminated by either party upon 60 days prior written notice. On a project by project basis, the development fee that the Trust will pay to DAM in respect of projects exclusive to the Trust and DAM will be equal to 3.75% of total net revenues of the development investment projects. For projects involving third parties, the development fee will be negotiated on a case by case basis with the parties involved. For rental properties, the development fee is expected to be based on the fair value of the project at substantial completion rather than net revenues. The commencement of such fees will vary depending on certain milestones being met, such as construction or sales commencement. During the year ended December 31, 2019, $34 of development fees were paid to DAM in accordance with the Framework Agreement (year ended December 31, 2018 - $nil).

AMOUNTS DUE TO RELATED PARTIES

Amounts payable and accrued liabilities due to DAM at December 31, 2019 were $2,650 (December 31, 2018 - $1,535). Included in the balance due to DAM at December 31, 2019, was $nil (December 31, 2018 - $1,650) relating to a letter of credit to a third-party in relation to a co-owned development project.

As at December 31, 2017, the Trust had entered into various project level development management agreements with DAM, and its third-party co-developers where applicable, in which the Trust has equity ownership interests. Pursuant to these agreements, DAM provides development management services. The corresponding development management fees are shared among the partners within each development project. Under these agreements, during the year ended December 31, 2019, fees of $2,869 were incurred at the project level, at the Trust's share (December 31, 2018 - $2,740). As at December 31, 2019, at the Trust's share, $3,065 was owed to DAM from the projects in respect of these fees (December 31, 2018 - $1,387).

During the year ended December 31, 2019, fees incurred pursuant to the property management agreements were $4,137 (December 31, 2018 – $3,181). Amounts payable and accrued liabilities as at December 31, 2019 included $73 (December 31, 2018 – $330), related to these agreements.

For the year ended December 31, 2019, fees incurred pursuant to the Service Agreement were $366 (December 31, 2018 – $330). Amounts payable and accrued liabilities as at December 31, 2019 included $29 (December 31, 2018 – $34) related to the Service Agreement.

Effective July 7, 2015 and September 5, 2015, a subsidiary of the Trust entered into a leasing agreement with Dream Industrial Management LP ("DIMLP"), a wholly owned subsidiary of Dream Industrial REIT, to lease rooftop space. During the year ended December 31, 2019 the fees incurred with respect to this leasing agreement were $89 (December 31, 2018 - $109). As at December 31, 2019, as a result of the Trust's disposition of the renewable power portfolio, the leasing agreement between DIMLP and the Trust, was terminated.

KEY MANAGEMENT COMPENSATION

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trust's key management personnel is the Board of Trustees.

Compensation expense for key management personnel is shown in the table below:

For the year ended		December 31, 2019	December 31, 2018
Compensation	$	124	$ 110
Unit-based awards[1]		568	548
Total	$	692	$ 658

[1] Deferred trust units granted to officers and trustees 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.

26. SUPPLEMENTARY CASH FLOW INFORMATION

Amortization and depreciation includes:

		2019	2018
Lease incentives	$	1,626	$ 1,260
Lender fees		(383)	(655)
Lending portfolio discount		(752)	(501)
Deferred financing costs		205	222
Total	$	696	$ 326

Other adjustments include:

		2019	2018
Straight-line rent adjustment	$	(226)	$ (27)
Deferred interest income		(1,875)	(607)
Share of income from equity accounted investments		(22,921)	(813)
Fair value adjustments to development and investment holdings		5,122	1,977
Fair value adjustments to income properties		(15,064)	2,195
Fair value adjustments to marketable securities		—	(3,366)
Interest capitalized to lending portfolio balance		(5,029)	(6,113)
Deferred unit compensation expense		1,870	951
Deferred income tax expense (recovery)		7,087	(335)
Total	$	(31,036)	$ (6,138)

Non-cash working capital includes cash generated from (utilized in):

		2019	2018
Lending portfolio interest income accrual	$	111	$ 776
Other non-current assets		3,280	(1,468)
Amounts receivable		(5,711)	6
Prepaid expenses and other current assets		142	(102)
Amounts payable and accrued liabilities		9,771	1,784
Income tax payable/receivable		1,649	451
Advances received from equity accounted investments		17,215	—
Total	$	26,457	$ 1,447

During the year ended December 31, 2019, cash interest paid was $7,719 (year ended December 31, 2018 – $7,776) and cash taxes paid was $nil (year ended December 31, 2018 – $nil). In addition, for the year ended December 31, 2019, the Trust received cash dividends of $nil (year ended December 31, 2018 - $1,169). For the same period, investments in building improvements included non-cash transactions of $1,295 (December 31, 2018 – settlement of $743) and investments in lease incentives and initial direct leasing costs included settlement of payables of $1,132 (December 31, 2018 – non-cash transactions of $3,674). Additions to renewable power assets include non cash transactions of $nil (December 31, 2018 – settlement of payables of $15).

27. COMMITMENTS AND CONTINGENCIES

Dream Alternatives 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 the Asset Manager, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Dream Alternatives.

COMMERCIAL MORTGAGE SERVICING AGREEMENT

On July 8, 2014, Dream Alternatives Lending Services LP ("Lending Services LP"), a subsidiary of the Trust, entered into a commercial mortgage servicing agreement ("Mortgage Servicing Agreement") with Canadian Mortgage Servicing Corporation ("CMSC") to manage and service the loan portfolio and select other debt investments for the following fees:

- A monthly fee of 1.25 basis points ("bps") (15 bps annually), calculated on the principal amount of each mortgage in the loan portfolio outstanding at the beginning of each month; and
- Origination fees paid by a borrower of up to 1% of the principal amount of each new mortgage investment originated by CMSC and up to 50% of the origination fee paid by a borrower in excess of 1%.

In addition, Lending Services LP reimburses CMSC for all reasonable third party disbursements and expenses made or incurred in connection with the performance of the services described in the Mortgage Servicing Agreement. The agreement can be terminated upon 90 days' written notice.

OTHER COMMITMENTS

During the year ended December 31, 2019, the Trust, through a subsidiary, continued to provide a guarantee for up to $45,000 (December 31, 2018 - $45,000) pursuant to the requirements of a senior construction loan associated with the Empire Lakeshore residential project. The guarantee will be in place for the term of the construction loan and will proportionately scale down as the construction loan is repaid as unit closings begin to occur. Guarantees of the other underlying development project loan amounts of third parties are $34,423 (December 31, 2018 - $7,500). As at December 31, 2019, the Trust is contingently liable under guarantees that are issued on certain debt assumed by purchasers of income properties up to an amount of $2,729 (December 31, 2018 - $44,157).

The Trust is contingently liable for letters of credit in the amount of $360 (December 31, 2018 - $1,395) that have been provided to support third-party performance.

The Trust may also be contingently liable for certain obligations of joint venture partners. However, the Trust would have available to it the other joint venture partners' share of assets to satisfy any obligations that may arise.

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $121 (December 31, 2018 - $142).

28. CAPITAL MANAGEMENT

The Trust's capital consists of debt, including mortgage payables, revolving credit facility and unitholders' equity. The Trust's objectives in managing capital are to ensure that adequate funds are available to maintain consistent and sustainable unitholders distributions, to fund leasing costs and capital expenditure requirements, and to provide the resources needed to acquire and develop development properties, originate new real estate lending, and 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 ratio and net debt-to-gross book value. Other significant indicators include the weighted average interest rate, average term to maturity of debt and variable debt as a proportion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholders distributions and capital expenditures, and for evaluating the need to raise funds for further expansion. Certain mortgage payables and the revolving credit facility have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership level. During the year ended December 31, 2019, 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 Trust's equity consists of Units in which the carrying value is impacted by earnings, unitholders distributions and Unit repurchases pursuant to its normal course issuer bid. The Trust endeavors to make annual distributions to Unitholders. Any amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures, other investments as the Trust sees fit, and working capital requirements. The Asset Manager monitors distributions through various ratios to ensure adequate resources are available. These ratios include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of funds available for distribution.

29. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

IFRS 7, "Presentation of Financial Statements" ("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 risks.

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. There is interest rate risk associated with 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 payable to be renewed. As at December 31, 2019, there was no variable debt payable (December 31, 2018 – 44.4%) within the Trust's total debt outstanding. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and variable-rate debt, manage maturities of fixed-rate debt, match the nature of the debt with the cash flow characteristics of the underlying asset and undertake hedging strategies when appropriate. As at December 31, 2019, there was no fixed-rate or variable-rate debt maturing within the next 12 months.

The Trust has exposure to the variability in market interest rates on its lending portfolio investments with variable-rate loans and fixed-rate loans maturing within the next 12 months. As at December 31, 2019, there are no variable-rate loans within the lending portfolio. The Trust invests in mortgages and loans secured by all types of residential and commercial real estate property that represent an acceptable underwriting risk. As a result, the Trust's lending portfolio investments is not exposed to significant market interest risk.

Foreign exchange risk is the risk that an investment’s value will fluctuate due to changes in currency exchange rates. The Trust’s functional and presentation currency is the Canadian dollar. The Trust's exposure to foreign exchange risk at December 31, 2019 includes the U.S. Dollar from its investment in the Hard Rock /Virgin Hotels Las Vegas. The effect of changes in foreign exchange rates is recognized in the consolidated statements of net income (loss). The Trust's investment in the Hard Rock/Virgin Hotels Las Vegas is an investment holding asset and is classified as FVTPL at each reporting period. The Trust is required to assess the fair value of this investment, which includes foreign currency transactions.

Credit risk related to income properties and certain investment holdings arises from the possibility that tenants in income 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.

Credit risk related to the lending portfolio and development and investment holdings arises from the possibility that a borrower may not be able to honour its debt commitments as a result of a negative change in market conditions that could result in a loss to the Trust. Credit risk related to financial guarantees provided by the Trust arises from the possibility that counterparties default on their financial obligations. The Trust mitigates these risks by actively monitoring the mortgage, loan investment and financial guarantees, and initiating recovery procedures, in a timely manner, when required.

The maximum exposure to credit risk at December 31, 2019 was the fair value of the Trust's development holdings and the contractual value of its lending portfolio which, including interest receivable, was $179,652. The Trust has recourse under these investments in the event of default by the borrower, in which case, the Trust would have a claim against the underlying collateral. Cash and deposits carry minimal credit risk as all funds are maintained with highly reputable lenders.

The Trust also holds various instruments with the same counterparty or related counterparties within its lending and development and investment holdings portfolios. As at December 31, 2019, the Trust had approximately $86,489 of development and investment holdings assets and loan balances with, or guaranteed by, the same borrowers or related group of borrowers. Security over certain underlying assets has been posted and the underlying investments are actively monitored.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its financial obligations as they become due. Accordingly, there is a liquidity risk that we would be unable to dispose of our illiquid assets in a timely way in response to changing economic or investment conditions. The Trust manages lending portfolio advances, maturities of debt, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations as they become due.

30. FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2019 no transfers were made between levels 1, 2 and 3. The following tables summarize fair value measurements recognized or disclosed in the consolidated financial statements by class of asset or liability and categorized by level according to the significance of the inputs used in making the fair value measurements.

		Fair value		
As at December 31, 2019	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Recurring measurements				
Development and investment holdings	**$ 114,947**	**$ —**	**$ —**	**$ 114,947**
Income properties	**200,869**	**—**	**—**	**200,869**
Lending portfolio - FVTPL	**7,301**	**—**	**—**	**7,301**

		Fair value		
As at December 31, 2018	Carrying value	Level 1	Level 2	Level 3
Recurring measurements				
Development and investment holdings	$ 118,609	$ —	$ —	$ 118,609
Income properties	224,310	—	—	224,310
Lending portfolio - FVTPL	16,574	—	—	16,574

Financial instruments carried at amortized cost are noted below:

		Fair value		
As at December 31, 2019	**Carrying value**	**Level 1**	**Level 2**	**Level 3**
Fair values disclosed				
Lending portfolio - amortized cost	**$ 57,404**	**$ —**	**$ —**	**$ 57,195**
Debt	**88,988**	**—**	**—**	**89,608**

		Fair value		
As at December 31, 2018	Carrying value	Level 1	Level 2	Level 3
Fair values disclosed				
Lending portfolio - amortized cost	$ 127,521	$ —	$ —	$ 126,825
Debt	195,492	—	—	200,500

At December 31, 2019, amounts receivable, cash, deposits, amounts payable and accrued liabilities, and distributions payable were carried at amortized cost, which approximates fair value due to their short-term nature.

INCOME PROPERTIES

The Trust's accounting policy as indicated in Note 9 is to estimate the fair value of each income property using the most appropriate valuation methodology determined for each property on a highest and best use basis, which may include the overall capitalization method, the discounted cash flow method or, in certain circumstances, land values. Certain income properties are measured at fair value using the income approach, which is derived from two methods: the overall capitalization rate method and the discounted cash flow method, which results in these measurements being classified as Level 3 in the fair value hierarchy. Valuations of these income properties are most sensitive to changes in discount rates and capitalization rates. In applying the overall capitalization rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate cap rate. Certain income properties whereby its highest and best use was considered development potential are measured using the direct comparison approach. The direct comparison approach considers recent activity for similar land parcels in similar markets adjusted for various factors, as applicable, including location, intended use, zoning, servicing and configuration. The direct comparison method results in these measurements being classified as Level 3 in the fair value hierarchy.

The key assumptions in the valuation of income properties are as follows:

- Adjustments - made to compensate for differences between comparable sales and the subject property.

- Cap rate – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- 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
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
- Market comparisons – are considered similar to the subject property
- Stabilized NOI – revenues, less property operating expenses adjusted for items such as market rental rates, average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, straight-line rents and other non-recurring items.
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents.

Income properties are valued on a highest and best use basis. For all of the Trust's income properties, the current use is considered the highest and best use, excluding one income property whose value is measured on its redevelopment potential.

INCOME PROPERTIES VALUATION PROCESS

The Trust is responsible for determining the fair value measurements included in the consolidated financial statements. DAM, in its capacity as Asset Manager for the Trust, provides the Trust with a valuation of each income property every quarter, as calculated by the respective property managers. The valuations team is headed by an experienced valuator. From time to time, DAM engages independent, professionally qualified valuators who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the income properties to complete valuations of selected properties. DAM's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuations and reviews the results with the independent valuators. Discussion of valuation processes, key inputs and results are held between the Trust and the valuations team at least once every quarter, in line with the Trust's quarterly reporting rules. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the Trust and the valuations team.

DEVELOPMENT AND INVESTMENT HOLDINGS

The fair values of development and investment holdings are determined using a number of approaches that typically include a discounted cash flow analysis, direct capitalization approach and direct comparison approach. For the year ended December 31, 2019, the primary methods of valuation used by the Trust are the discounted cash flow approach or the direct capitalization approach. The discounted cash flow model is calculated based on future interest and participating profit payments as determined by the Asset Manager and project managers' estimates of unit sales proceeds and/or net operating income of the development properties. With the direct capitalization rate method, the fair value is determined by applying a capitalization rate to stabilized NOI. In determining the discount rate and cap rate, the Trust considered market conditions, time to completion of the development, the market cap rate, the percentage of space leased on units sold, and other available information.

LENDING PORTFOLIO

There are no quoted prices in an active market for the lending portfolio investments. The Trust determines fair value based on its assessment of the current lending market for lending portfolio investments of the same or similar terms in consultation with CMSC, the manager and servicer of the lending portfolio, and other available information. The fair value of the lending portfolio as at December 31, 2019, was determined by discounting the expected cash flows of each loan using an assessment of the market interest rate ranging from 5.0% to 17.5%. The market interest rates were determined taking into consideration similar instruments with corresponding maturity dates, plus a credit adjustment in accordance with the borrower's creditworthiness as well as considering the risk characteristic of the underlying development. For certain loans the fair value was determined based on the net realizable value of the underlying real estate property and related transaction costs based on internal valuations which used the most appropriate valuation methodology determined for each underlying development on a highest and best use basis consistent with the income properties valuation methodology.

DEBT

The fair value of debt as at December 31, 2019, was determined by discounting the expected cash flows of each debt instrument using an assessment of the market interest rate ranging from 3.2% to 3.3%. The market interest rates were determined using the Government of Canada benchmark bond yield for instruments with corresponding maturity dates, plus a credit spread in accordance with the Trust's assessment of credit risk. In determining the adjustment for credit risk, the Trust considered market conditions, the value of the properties that the mortgages are secured by and other indicators of the Trust's creditworthiness.

31. SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the Trust announced its intention to commence an additional SIB pursuant to which the Trust will offer to purchase from unitholders of the Trust up to 4,000,000 units at a price of $8.25 per unit for an aggregate purchase price of $33,000. This offer commenced on February 7, 2020 and will expire on March 16, 2020.