

**UMC REAL ESTATE FUND TRUST**  
**Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

**UMC REAL ESTATE FUND TRUST**  
**Index to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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April 21, 2023  
Edmonton, Alberta

## INDEPENDENT AUDITOR'S REPORT

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To the Unitholders of UMC Real Estate Fund Trust

### Opinion

We have audited the consolidated financial statements of UMC Real Estate Fund Trust (the Trust), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of income and comprehensive income, changes in net assets attributable to holders of redeemable units and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2022, and the consolidated financial performance and consolidated cash flow for the year then ended in accordance with International financial reporting standards (IFRS).

### 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 are independent of the Trust in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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.

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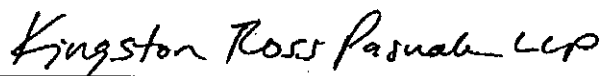
**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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 Group 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.

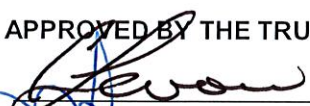



**Kingston Ross Pasmak LLP**  
Chartered Professional Accountants


**UMC REAL ESTATE FUND TRUST**  
**Consolidated Statement of Financial Position**  
**(Expressed in Canadian Dollars)**  
**December 31, 2022**

	2022	2021
<b>ASSETS</b>		
Cash	\$ 974,252	\$ 392,222
Trade receivables (Note 4)	99,978	177,468
Prepaid expenses	174,244	176,843
Advances to related party (Note 5)	-	300,000
Investment properties (Note 6)	49,599,196	42,912,522
Assets held for sale (Note 7)	1,289,657	-
	<b>\$ 52,137,327</b>	<b>\$ 43,959,055</b>
<b>LIABILITIES</b>		
Trade and other payables (Note 8)	\$ 301,426	\$ 797,372
Damage deposits	100,979	69,182
Goods and Services Tax payable	19,271	17,068
Unearned revenue	150,321	144,942
Long term debt (Note 9)	5,582,461	626,600
	<b>6,154,458</b>	<b>1,655,164</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<b>45,982,869</b>	<b>42,303,890</b>
<b>TRUST UNITS OUTSTANDING (Note 11)</b>	<b>43,387,529</b>	<b>41,183,360</b>
<b>NET ASSETS PER TRUST UNIT</b>	<b>\$ 1.116</b>	<b>\$ 1.027</b>

APPROVED BY THE TRUSTEES

  
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 Trustee

  
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 Trustee

  
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 Trustee

**UMC REAL ESTATE FUND TRUST**  
**Consolidated Statement of Income and Comprehensive Income**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

	2022	2021
<b>PROPERTY INCOME</b>		
Rental income	\$ 4,259,496	\$ 3,905,679
Operating cost recoveries	562,562	523,344
	<b>4,822,058</b>	<b>4,429,023</b>
<b>DIRECT COSTS</b>		
Consolidated Property Operating Costs <i>(Schedule 1)</i>	3,160,430	2,431,302
	<b>1,661,628</b>	<b>1,997,721</b>
<b>EXPENSES</b>		
Portfolio management fees <i>(Note 13)</i>	303,360	260,442
Professional fees <i>(Note 13)</i>	240,128	276,310
Interest and bank charges	127,603	27,006
GST (non-claimable)	31,830	-
Travel	16,820	12,269
Advertising and promotion	2,799	2,287
Bad debts	1,310	6,969
	<b>723,850</b>	<b>585,283</b>
	<b>937,778</b>	<b>1,412,438</b>
<b>OTHER INCOME</b>		
Fair value adjustment of investment properties <i>(Note 6)</i>	1,444,004	1,074,914
Gain on sale of investment properties <i>(Note 6)</i>	234,785	-
Canada Emergency Wage Subsidy <i>(Note 10)</i>	33,569	117,044
Interest income	14	-
Canadian Emergency Business Account	-	10,000
Reserve fund contribution	(160,000)	-
	<b>1,552,372</b>	<b>1,201,958</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE UNITS</b>	<b>\$ 2,490,150</b>	<b>\$ 2,614,396</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE PER REDEEMABLE UNIT <i>(Note 12)</i></b>	<b>\$ 0.0577</b>	<b>\$ 0.0651</b>

**UMC REAL ESTATE FUND TRUST****Consolidated Statement of Changes in Net Assets Attributable to  
Holders of Redeemable Units****(Expressed in Canadian Dollars)****Year Ended December 31, 2022**

	2022	2021
<b>NET ASSETS ATTRIBUTABLE TO REDEEMABLE UNITS AT THE BEGINNING OF YEAR</b>	<b>\$ 42,303,890</b>	<b>\$ -</b>
Increase in net assets attributable to holders of redeemable units	<u>2,490,150</u>	<u>2,614,396</u>
Distributions to holders of redeemable units	44,794,040 <u>(2,198,638)</u>	2,614,396 <u>(1,497,484)</u>
	<b>42,595,402</b>	<b>1,116,912</b>
<b>REDEEMABLE UNIT TRANSACTIONS</b>		
Proceeds from redeemable units issued	4,656,894	40,593,525
Redemption of redeemable units	<u>(3,468,065)</u>	<u>(904,031)</u>
Units issued through reinvested earnings	<u>2,198,638</u>	<u>1,497,484</u>
Net increase from redeemable unit transactions	<u>3,387,467</u>	<u>41,186,978</u>
<b>NET ASSETS ATTRIBUTABLE TO REDEEMABLE UNITS AT END OF YEAR</b>	<b>\$ 45,982,869</b>	<b>\$ 42,303,890</b>

**UMC REAL ESTATE FUND TRUST**  
**Consolidated Statement of Cash Flow**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Increase in net assets attributable to holders of redeemable units	\$ 2,490,150	\$ 2,614,396
Items not affecting cash:		
Fair value adjustment of investment properties	(1,444,004)	(1,074,914)
Gain on sale of investment properties	(234,785)	-
Reserve fund contribution	160,000	-
	<b>971,361</b>	<b>1,539,482</b>
Changes in non-cash working capital:		
Trade receivables	76,180	87,630
Unearned revenue	5,379	3,061
Prepaid expenses	2,599	16,066
Goods and Services Tax payable	4,665	9,411
Trade and other payables	(495,944)	213,829
Damage deposits	31,797	18,952
	<b>(375,324)</b>	<b>348,949</b>
Cash flow from operating activities	<b>596,037</b>	<b>1,888,431</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds on sale of investment properties	1,054,800	-
Acquisition of investment properties	(7,213,497)	(51,545)
Cash flow used by investing activities	<b>(6,158,697)</b>	<b>(51,545)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of redeemable units	4,656,894	-
Amounts paid on redemption of redeemable units	(3,468,065)	(904,031)
Proceeds from long term financing	8,887,057	-
Repayment of long term debt	(3,931,196)	(540,633)
Cash flow from (used by) financing activities	<b>6,144,690</b>	<b>(1,444,664)</b>
<b>INCREASE IN CASH</b>	<b>582,030</b>	<b>392,222</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>392,222</b>	<b>-</b>
<b>CASH - END OF YEAR</b>	<b>\$ 974,252</b>	<b>\$ 392,222</b>
<b>CASH FLOW SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ 17,120	\$ 2,693
Interest paid	\$ 55,048	\$ 58,083



**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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1. NATURE OF OPERATIONS

UMC Real Estate Fund Trust (the "Trust") is an unincorporated, open-ended, limited purpose real estate fund established under the laws of Alberta and is governed by the Declaration of Trust dated January 1, 2021, as amended from time to time and is domiciled in Canada. The Trust is not a reporting issuer. The address of the Trust's registered office is Suite 201, 14020-128 Avenue NW, Edmonton, Alberta. The Trust focuses on providing returns to its unit holders by investing in real estate properties.

At December 31 2022, the Trust's portfolio consists of interest in fifteen rental properties, which include office buildings, apartment buildings, townhouses, retail outlets, industrial buildings, commercial buildings and hotels.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Trust's financial statements are prepared on a going concern basis, which assume the Trust will continue its operations and will be able to realize its assets and discharge its obligations in the normal course of business.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. The consolidated financial statements are presented in Canadian dollars, which is the Trust's functional currency. The Trust presents its consolidated financial position on a non-classified basis in order of liquidity.

These consolidated financial statements were authorized for issue by the Board of Trustees on April 19, 2023.

These consolidated financial statements include the accounts of the Trust and its subsidiary.

All significant intercompany transactions and balances have been eliminated upon consolidation.

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies observed in the preparation of the consolidated financial statements are summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Trust and its subsidiary. As a result, figures as at December 31, 2022 include the financial position of the subsidiary and the results of their operations for the years then ended. The results of operations of the subsidiary, and its 99.99% owned subsidiary Swan Lake Hospitality Limited Partnership, are included in the consolidated financial statements from the respective date of incorporation.

Subsidiary	Ownership %	Year end
UMC Real Estate Fund Limited Partnership	99.99	December 31, 2022

Significant accounting judgments, estimates and assumptions

The preparation of the Trust's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Trust's accounting policies, management has made the following critical accounting judgments which are accounting policies that have been identified as being complex or involving subjective judgment or assessment. Critical accounting judgments include:

Taxes

The Trust qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income, including net realized capital gains in the taxation year, which has not been paid or is not payable to its Unitholders as at the end of the taxation year. It is the intention of the Trust to distribute all of its net income and sufficient net realized capital gains so that the Trust will not be subject to income taxes. Accordingly, no provision for income tax has been made in these financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Trust based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

(continues)

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*Fair value of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 14).

*Joint Arrangements*

The Trust has interests in five properties that are subject to joint arrangements (Note 6). The Trust has assessed the nature of its joint arrangements as at December 31, 2022 and determined them to be joint operations. For joint operations, the Trust recognizes its share of revenues, expenses, assets and liabilities, which are included in their respective descriptions on the consolidated statements of financial position and consolidated statements of income and comprehensive income. All balances and effect of transactions between joint operations and the Trust have been eliminated to the extent of its interest in the joint operations.

*Valuation of investment properties*

Investment properties are stated at fair value at each reporting date. Gains or losses arising from the change in fair value are included in profit or loss in the period in which they arise. Fair value is determined by management using internally generated valuation models and by external appraisers using recognized valuation techniques. The determination of fair value of investment properties requires the use of estimates such as future cash flows from assets.

*Unrealized loss on assets held for sale*

The Trust considers the estimate of the fair value less costs to sell of foreclosed assets held for sale to be a significant estimate. Unrealized losses on these assets represent the change in the fair value of these assets from the time that the Trust foreclosed until the measurement date. Fair value is estimated based on recent selling prices of comparable properties for residential assets, and appraisals prepared by third parties for commercial assets.

Net assets per trust unit

Net assets per trust unit is computed by dividing the total net assets by the total number of trust units issued.

Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available for sale and changes in the fair value of the effective portion of cash flow hedging instruments.

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets held for sale

Assets held for sale are recorded at the lower of the carrying amount and fair value less anticipated selling costs. Fair value is determined by reference to market prices for similar assets. Any difference between the carrying amount of the loan prior to foreclosure and the amount at which the assets are initially measured is recognized as a charge in the statement of income and comprehensive income.

Assets that the Trust has control of at year-end and that are being actively marketed as at the balance sheet date are shown on the face of the balance sheet as assets held for sale. When assets are disposed of the difference between the proceeds received and carrying value at time of sale is recorded as a loss/gain on assets held for sale in the statement of income and comprehensive income.

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified as measured at amortized cost, at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The determinant of the classification of the financial asset is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Trust determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus or minus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Trust's financial assets include cash and trade receivables.

*Subsequent measurements*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include all financial assets unless measured at amortized cost or at fair value through other comprehensive income. The Trust can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Trust may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gain and losses on them on a different basis.

The Trust has not designated any financial assets as at fair value through profit or loss.

Amortized Cost

Financial assets measured at amortized cost is permitted by IFRS 9 if the two following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Trust has designated cash and trade receivables at amortized cost.

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income is permitted by IFRS 9 if the two following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Trust has not designated any financial assets as at fair value through comprehensive income.

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired, or
- The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Trust's continuing involvement in it.

In that case, the Trust also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

*Impairment of financial assets*

The Trust has to recognize a loss allowance for expected credit losses on all financial assets and certain off-balance sheet loan commitments and guarantees. The expected credit loss model requires a loss allowance to be claimed on the financial asset regardless of whether an actual loss event has occurred.

The expected credit loss model presents three stages of credit loss allowances that must be assessed on all financial assets held by the Trust. At the reporting date, if the credit risk of a financial asset has not significantly changed from initial recognition an allowance for that financial instrument at an amount equal to a 12-month expected credit losses is recognized (Stage 1). Once the financial assets credit risk significantly increases from initial recognition, a lifetime expected credit loss will be recognized (Stage 2). At stage 2 the interest revenue from the asset will continue to be calculated on the carrying value of the asset before impairments. If the credit quality of the financial asset deteriorates, the lifetime expected loss will continue to be recognized however the interest revenue will now be calculated on the net amortized carrying value after deducting the loss allowance (Stage 3).

The Trust applies the simplified approach, which requires expected credit losses to be recognized from initial recognition of the accounts receivable.

The assessment of significant increases in credit loss is completed at the reporting date and considers historical events, current market conditions and supportable information about future economic conditions that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Trust determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus or minus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Trust's financial liabilities include the trade and other payables, damage deposits, unearned revenue, long term debt and trust units.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities at amortized cost

Financial liabilities at fair value through profit or loss include financial liabilities held for rental income and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as measured at fair market value if they are acquired for the purpose of rental income. Gains or losses on liabilities at fair value are recognized in the statement of comprehensive income.

The Trust has designated its trade and other payables, damage deposits, unearned revenue and long term debt at amortized cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities measured at fair market value and financial liabilities initially designated at fair value through profit or loss.

Financial liabilities are classified as measured at fair market value if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities at fair value are recognized in the income statement.

The Trust has designated the trust units as at fair value through profit or loss.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Trust did not have any offsetting financial instruments during the year ended December 31, 2021.

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or a discounted cash flow analysis or other valuation models.

*(continues)*



**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash

Cash presented in assets on the statement of financial position and in the statement of cash flows include components of cash that are readily available. Cash consists of cash in bank less cheques issued and outstanding.

Revenue recognition

The Trust's revenue is comprised of rental income collected from tenants and hotel room occupants of the properties. Rental income for lease components is recognized on a straight-line basis whereby the total amount of rental income to be received from the lease is accounted for on a straight-line basis over the term of the lease.

The Trust's revenue is also comprised of non-lease components. Leases generally provide for tenants' payment of maintenance expenses of common elements and other operating costs. These services are considered to be a single performance obligations rendered to tenants over time. These recoveries are accounted for as variable consideration and are recognized as operating revenues in the periods in which the services are provided.

Rent collected in advance of the services being rendered are recorded as unearned revenue.

Investment properties

The Trust uses the fair value method to account for real estate classified as investment property. Property that is held for long term rentals or for capital appreciation or both is classified as investment property. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred.

The acquisition of investment properties is initially measured at cost including directly attributable acquisition costs. Directly attributable acquisition costs include professional fees, land transfer taxes, and other transaction costs.

After initial recognition, investment properties are carried at fair value, which is determined based on available market evidence at each reporting date, including capitalization rates that reflect the characteristics, location, and market of each property. Gains or losses arising from changes in fair value are included in the consolidated statements of net income and comprehensive income during the period in which they arise. When an investment property is disposed of, the gain or loss is determined as the difference between the disposal proceeds, net of selling costs and the carrying amount of the property and is recognized in the consolidated statements of net income and comprehensive income in the period of disposal.

Government assistance

Government assistance is recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the assistance is intended to compensate. Government grants are recorded when there is a reasonable assurance that the Trust had complied with and will continue to comply with, all the necessary conditions to obtain the grant.

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Statement of Cash Flow

The Trust is using the direct method in its presentation of the Statement of Cash Flow.

4. TRADE RECEIVABLES

	2022	2021
Rent receivables	\$ 99,978	\$ 162,926
Government receivables	-	14,542
	<b>\$ 99,978</b>	<b>\$ 177,468</b>

Included in accounts receivable is a provision for doubtful accounts totaling \$57,055 (2021 -\$55,745).

5. ADVANCES TO RELATED PARTY

Advances to related party consist of \$nil (2021 - \$300,000) to 2310629 Alberta Ltd. (related by virtue of common control). Advances to related party are non-interest bearing and have no set repayment terms.

6. INVESTMENT PROPERTIES

	2022	2021
Balance, beginning of period	\$ 42,912,522	\$ -
Acquisitions of investment properties	-	41,786,063
Additions to investment properties	7,352,342	51,545
Fair value adjustment of investment properties	1,444,004	1,074,914
Transfer to Assets held for sale	(1,289,657)	-
Investment properties sold	(820,015)	-
Balance, end of period	<b>\$ 49,599,196</b>	<b>\$ 42,912,522</b>

Investment properties are measured at their estimated fair value. The investment properties are re-measured to fair value at each reporting date, determined on internal valuation models incorporating available market evidence, or on valuations performed by independent third-party appraisers. Significant assumptions and a number of methods are used in determining the fair value of the investment properties, including capitalization rates, discount rates and future cash flows that incorporate inflation rates, vacancy rates, market rents, property level capital expenditures, and net operating income. The carrying value for the Trust's investment properties reflects its best estimate for the highest and best use as at December 31, 2022.

As at December 31, 2022, three units of one investment property were sold for a total gain of \$234,785.

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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6. INVESTMENT PROPERTIES *(continued)*

Included within investment properties are the proportionate consolidation of the following joint operations:

Aberfoyle Holdings Ltd.

The Trust has a 100% voting control interest of the joint operation of Aberfoyle Holdings Ltd. This investment property is a retail building with the lease expiring January 31, 2027, and has two five-year options to renew. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value of \$900,000.

Carnoustie Holdings Ltd.

The Trust has a 100% voting control interest of the joint operation of Carnoustie Holdings Ltd. One investment property is used for storage and distribution with the lease expiring February 28, 2024, with two five-year options to renew. The second investment property is used to facilitate servicing and sale of equipment. Based on the most recent appraisal, retail capitalization rates and net operating income the investment properties have a fair value of \$8,297,120.

Niblick Equities Inc.

The Trust has a 100% voting control interest of the joint operation of Niblick Equities Inc. This investment property is an industrial building used for the servicing of oilfield equipment with the lease expiring September 30, 2024. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value of \$2,727,984.

Indigo Springs Equities Inc.

The Trust has a 54.50% voting control interest of the joint operation of Indigo Springs Equities Inc. This investment property is an industrial building used for the servicing of oilfield equipment with a month-to-month lease. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value of \$1,139,396.

Laguna Capital Equities Inc.

The Trust has a 72.97% voting interest of the joint operation of Laguna Capital Equities Inc. This investment property is a retail building used for as an auto body repair shop with the lease expiring May 31, 2026. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value of \$2,105,703.

1742050 Alberta Inc.

The Trust has a 75% voting interest of the joint operation of 1742050 Alberta Inc. Two investment units are used for a pharmacy with the leases expiring April 30, 2033. The third investment unit is used for a restaurant with the lease expiring on January 31, 2025. The four, fifth, and sixth investment units are used for healthcare with a lease expiring December 31, 2026, a lease expiring April 15, 2023, with two three-year options to renew, and a lease expiring October 31, 2024, with one five-year option to renew. Based on the most recent appraisal, retail capitalization rates and net operating income the investment properties have a fair value of \$4,901,593.

2131896 Alberta Ltd.

The Trust has a 100% voting interest of the joint operation of 2131896 Alberta Inc. This investment property represents two residential condominiums with a month-to-month lease. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value of \$243,000.

*(continues)*

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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6. INVESTMENT PROPERTIES *(continued)*

Swan Lake Hospitality LP

The Trust has a 99.99% voting interest in Swan Lake Hospitality Limited Partnership. This investment property is a 44 room hotel featuring a restaurant and a log home. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value of \$7,120,784.

2310629 Alberta Ltd.

The Trust has a 100% voting interest of the joint operation of 2310629 Alberta Ltd. The investment property is an office condominium with four different suites. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value of \$2,464,867.

963900 N.W.T. Ltd.

The Trust has a 100% voting interest of the joint operation of 963900 N.W.T. Ltd. Two investment units are used as office buildings for the Government of Canada with the leases expiring August 31, 2025, and June 30, 2023, with two one-year options to renew. Two investment units are used as office buildings for the Government of Northwest Territories with the leases expiring November 30, 2024 and January 31, 2024. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value \$5,307,789.

5769 N.W.T. Ltd.

The Trust has a 91.50% voting interest of the joint operation of 5769 N.W.T. Ltd. One investment property represents 12 units of a two-story apartment building with month-to-month leases. The most recent external appraisal was obtained for the investment property with a fair value of \$1,476,674. The second investment property is a two-story office building with leases expiring January 31, 2026, December 31, 2025, and one month-to-month lease. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value \$3,416,285.

Yellowknife Townhomes

The Trust has a 100% voting interest of the joint operation of Yellowknife Townhomes. This investment property represents 13 townhomes. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value \$4,265,000.

12 Plex 111 Ave

The Trust has 100% voting interest of the joint operation of the 12 Plex on 111th Avenue residential apartments. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value \$3,250,000.

Hilliard

The Trust has 100% voting interest of the joint operation of the Hilliard residential condominiums. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value \$2,433,676.

2299301 Alberta Ltd.

The Trust has 100% voting interest of the joint operation of the 2299301 Alberta Ltd. residential condominiums. Based on the most recent appraisal, retail capitalization rates and net operating income the investment property has a fair value \$1,026,000.

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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7. ASSETS HELD FOR SALE

Assets held for sale are properties to which the Trust had title and were actively marketed for sale at year end. As at December 31, 2022, assets held for sale consists of two properties with a fair value of \$1,289,657.

The fair value measurements have been categorized as a level 3 fair value based on inputs to the valuation technique used. The Trust measures fair value through the use of a direct sales comparison valuation technique whereby the fair value is based on comparison to recent sales of properties of similar types, location and quality. There is a significant unobservable input relating to characteristics specific to each property that could cause the fair value to differ from the property to which it is being compared.

8. TRADE AND OTHER PAYABLES

	2022	2021
Trade accounts payable	243,516	735,502
Wages payable	41,021	36,356
Occupancy costs payable	16,889	25,514
	<b>\$ 301,426</b>	<b>\$ 797,372</b>

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

9. LONG TERM DEBT

	2022	2021
ATB non-revolving loan bearing interest at a fixed rate of 5.19% per annum, repayable in monthly principal payments of \$18,959. The loan matures on August 31, 2027 and is secured by a general security agreement over all present and after acquired personal property and guarantees from related parties. The loan is secured by property which has been appraised at \$8,297,120.	\$ 2,797,710	\$ -
ATB non-revolving loan bearing interest at a fixed rate of 4.58% per annum, repayable in monthly blended payments of \$8,585. The loan matures on April 30, 2025 and is secured by a general security agreement over all present and after acquired personal property and guarantees from related parties. The loan is secured by the Hilliard Holdings Inc. properties which have been appraised at \$2,433,676.	1,509,751	-
ATB revolving line of credit bearing interest at bearing interest at 1.25% plus prime per annum, repayable on demand. The loan is secured by a first position mortgage of the lands and buildings referred to as the Joe Tobie building which has been appraised at \$5,307,798.	1,000,000	-
Scotiabank non-revolving loan bearing interest at 1.0% plus prime per annum, repayable in monthly principal payments of \$5,000. The loan matures on November 2, 2026 and is secured by a general security agreement over all present and after acquired personal property and guarantees from related parties. The loan is secured by the Niblick Equities Inc. property which has been appraised at \$2,727,984.	235,000	295,000
Canada Emergency Business Account loan for \$60,000, which bears no interest and is forgivable in the amount of \$20,000 if repaid by December 31, 2023. If the loan is not repaid by December 31, 2023, the loan will bear interest at 5.0% annually as of January 1, 2024 with the full balance due no later then December 31, 2025.	40,000	40,000
Scotiabank non-revolving loan bearing interest at 1.0% plus prime per annum, repayable in monthly blended payments of \$14,584. The loan has been fully repaid as at December 31, 2022.	-	291,600
	<b>\$ 5,582,461</b>	<b>\$ 626,600</b>

(continues)

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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9. LONG TERM DEBT *(continued)*

Principal repayment terms are approximately:

2023	\$ 1,393,919
2024	122,425
2025	1,534,605
2026	98,462
2027	<u>2,433,050</u>
	<u>\$ 5,582,461</u>

10. GOVERNMENT ASSISTANCE

The Government of Canada passed legislation offering subsidies to employers in order to assist with wage costs during the COVID-19 pandemic. The Trust benefited from the Canada Emergency Wage Subsidy (CEWS) for remuneration paid in the amount of \$33,569 (2021 - \$117,044) and is recognized as government assistance. Accounts receivable include \$nil (2021 - \$14,542) for claims that were received after year-end.

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

**11. REDEEMABLE UNITS**

Units issued and outstanding represent a liability of the Trust. The Trust is authorized to issue an unlimited number of units. Units of the Trust are issued and redeemed at the then current net asset value per unit at the option of the unitholder. Upon redemption, the Trustees shall not be required to pay an amount that is more than one percent of the net asset value of the Trust, referred to as the cash reserve, per month in cash. The Trust has an obligation to pay within ten years upon demand by a unitholder. Based on cash availability, the Trust's normal practice is to pay on demand.

Unitholders on the record date are entitled to distributions. Distributions on units of the Trust are typically reinvested in additional units of the Trust. The Trust has no restrictions or specific capital requirements regarding the subscription and redemption of units, other than minimum subscription requirements.

UMC Financial Management Inc. manages the equity of UMC Real Estate Fund Trust in accordance with the Trust's investment objectives, including managing their liquidity in order to be able to meet redemptions.

	2022		2021	
	Units	Amount	Units	Amount
Trust units at the beginning of the year	41,183,360	\$ 42,303,890	-	\$ -
Units issued	4,547,371	4,656,894	40,593,153	40,593,525
Units redeemed	(3,333,900)	(3,468,065)	(902,996)	(904,031)
Units issued through reinvested earnings	990,698	2,198,638	1,493,203	1,497,484
Adjustment to fair market value	-	-	-	1,074,914
Outstanding income not reinvested	-	291,512	-	41,998
	<b>43,387,529</b>	<b>\$ 45,982,869</b>	<b>41,183,360</b>	<b>\$ 42,303,890</b>

**12. INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS**

The increase in net assets attributable to holders of redeemable units per unit is calculated as follows:

	2022	2021
Increase in net assets attributable to holders of redeemable units	\$ 2,490,150	\$ 2,614,396
Weighted average units outstanding during the year	43,141,650	40,482,708
Increase in net assets attributable to holders of redeemable units per unit	\$ 0.0577	\$ 0.0646



**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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13. RELATED PARTY TRANSACTIONS

UMC Financial Management Inc. is related to the Trust in that the Trustees of the Trust are also the shareholders and directors of UMC Financial Management Inc. UMC Financial Management Inc. is paid a management fee as the Restricted Portfolio Manager and Investment Fund Manager, providing day-to-day management services to the Trust, including management of the Trust's portfolio on a discretionary basis and such other services as may be required from time to time. The management fee is calculated at 0.60% of the aggregate funds invested, paid in advance, on the first business day of each quarter. The total management fees paid, to UMC Financial Management Inc. during the year was \$303,360 (2021 - \$260,442). The Trust also reimburses an allocation of operating expenses to UMC Financial Management Inc. as they occur.

UMC Real Estate GP Inc. is entitled to its pro rata share of distributions from the UMC Real Estate Fund Limited Partnership based on its ownership of one Limited Partnership unit. For the period since inception to December 31, 2022, UMC Real Estate GP Inc. has voluntarily waived its pro rata share of distributions.

Tara Vista Holdings Ltd. is related to the Trust in that the Trustees of the Trust are also the shareholders and directors of Tara Vista Holdings Ltd. Expenses paid to Tara Vista Holdings from the Trust include property management fees of \$228,734 (2021 - \$203,274).

**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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14. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash, trade receivables, trade and other payables, damage deposits, unearned revenue, long term debt and trust units.

**Fair Value**

The Trust's carrying value of its financial instruments approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of cash, trade receivables, advances to related party, trade and other payables, damage deposits, unearned revenue and long term debt are measured under level 1 of the fair value hierarchy. The fair value of the trust units are measured under level 3 of the fair value hierarchy.

The three levels of the fair value hierarchy are described as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Value based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

During the period ended December 31, 2022, there were no transfers between levels of the fair value hierarchy.

**Risk Management**

The Trust is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Trust is exposed, and the actions taken to manage them, are described below:

*Credit Risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from its tenants. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at December 31, 2022, 88% of trade and other receivables are due from two customers.

*Interest Rate Risk*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Trust is exposed to interest rate cash flow risk primarily through its floating interest rate operating line of credit as the required cash flow to service the debt will fluctuate as prime rates change.

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**UMC REAL ESTATE FUND TRUST**  
**Notes to Consolidated Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

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14. FINANCIAL INSTRUMENTS *(continued)*

*Liquidity Risk*

Liquidity risk is the risk that the Trust may not have cash to meet financial liabilities as they come due. The Trust is exposed to daily cash calls from the redemption of trust units.

The Trust invests in mortgages that are not traded in an active market. As a result, the Trust may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with the Trust's policy, the liquidity position is monitored on a regular basis. The risk of withdrawal of funds is mitigated through the Trust's obligation to pay within ten years upon demand by a unitholder and continually obtaining new investors and cash flow into the Trust.

At December 31, 2022 the contractual obligations related to financial liabilities are as follows:

	Damage deposits	Trade and other payables	Unearned revenue	Long term debt	Trust units	Total
2023	100,979	301,426	150,321	1,393,919	45,982,869	47,828,535
2024	-	-	-	122,245	-	122,245
2025	-	-	-	1,534,605	-	1,534,605
2026	-	-	-	98,462	-	98,462
Thereafter	-	-	-	2,433,050	-	2,433,050

15. CAPITAL MANAGEMENT

UMC Financial Management Inc. considers the portfolios that it manages to be capital. As portfolio managers of the Trust, they consider the net assets attributable to holders of redeemable units to be capital.

The Manager's objectives for managing capital are to preserve unitholders' equity, provide unitholders with stable income and to use leverage in a conservative manner to improve the return to unitholders. The growth of the Trust is financed thru the issuance of units to unitholders. An amount of these units issued is thru a dividend reinvestment plan for unitholders.

There have been no material changes during the year in relation to the objectives and strategies with respect to capital risk management.

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**UMC REAL ESTATE FUND TRUST**  
**Consolidated Property Operating Costs**  
**(Expressed in Canadian Dollars)**  
**Year Ended December 31, 2022**

**(Schedule 1)**

	<b>2022</b>	<b>2021</b>
Wages and benefits	\$ 690,177	\$ 571,101
Utilities	555,301	443,630
Repair and maintenance	549,222	462,957
Property tax	311,380	285,242
Property management fees <i>(Note 13)</i>	291,844	226,414
Interest on long-term debt	190,104	31,077
Office expenses <i>(Note 13)</i>	147,974	115,087
Condo fees	144,249	58,375
Commissions	132,523	82,328
Insurance	123,940	138,830
Rent	23,716	16,261
	<b>\$ 3,160,430</b>	<b>\$ 2,431,302</b>