Société en Commandite Bromont 1

Financial Statements
December 31, 2017 and 2016

Independent Auditor's Report

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To the partners of
Société en Commandite Bromont 1

We have audited the accompanying financial statements of Société en commandite Bromont 1 which comprise the statements of financial position as at December 31, 2017 and 2016 and the statements of comprehensive (income) loss, the statements of changes in capital and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Société en commandite Bromont 1 as at December 31, 2017 and 2016 and its financial performance and and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton LLP[1]

Montreal
May 7, 2018

[1] CPA auditor, CA public accountancy permit no. A121855

Société en Commandite Bromont 1
Statements of Financial Position
As at December 31, 2017 and 2016
(expressed in Canadian Dollars)

	Notes	**2017**	2016
		$	$
ASSETS			
Current			
Cash		**8,351**	1,484
Sales taxes receivable		**5,274**	2,644
Prepaids		**15,222**	5,096
		28,847	9,224
Non-current			
Land held for residential development		**11,215,048**	10,139,380
Investment property	5	**31,458,691**	30,741,579
Total assets		**42,702,586**	40,890,183
LIABILITIES			
Current			
Trade and other payables		**160,484**	115,571
Advances	6	**7,543,000**	5,733,000
Term loan	7	**11,000,000**	11,000,000
Total liabilities		**18,703,484**	16,848,571
CAPITAL			
General Partner		**96,208**	96,381
Limited partners		**23,902,894**	23,945,231
Total capital		**23,999,102**	24,041,612
Total liabilities and capital		**42,702,586**	40,890,183

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

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Société en Commandite Bromont 1
Statements of Comprehensive Income (Loss)
Year ended December 31, 2017 and 2016
(expressed in Canadian Dollars)

	Notes	2017	2016
		$	$
Rental income		**16,932**	16,799
		16,932	16,799
Administrative expenses		**(59,442)**	(4,726)
Net income (loss) and comprehensive income (loss)		**(42,510)**	12,073

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

Société en Commandite Bromont 1
Statements of Changes in Capital
Year ended December 31, 2017 and 2016
(expressed in Canadian Dollars)

	Units Issued	General Partner	Limited Partners	Total Capital
	Number	$	$	$
Balance on January 1, 2016	1,000	96,332	23,933,207	24,029,539
Net income and comprehensive income	–	49	12,024	12,073
Balance on December 31, 2016	1,000	96,381	23,945,231	24,041,612
Balance on January 1, 2017	1,000	96,381	23,945,231	24,041,612
Net loss and comprehensive loss	–	(173)	(42,337)	(42,510)
Balance on December 31, 2017	1,000	96,208	23,902,894	23,999,102

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

Société en Commandite Bromont 1
Statements of Cash Flows
Year ended December 31, 2017 and 2016
(expressed in Canadian Dollars)

	Notes	**2017**	2016
		$	$
OPERATING ACTIVITIES			
Net income (loss)		**(42,510)**	12,073
Changes in working capital items		**32,157**	28,515
Cash flows from (used in) operating activities		**(10,353)**	40,588
INVESTING ACTIVITIES			
Land held for residential development		**(1,075,668)**	(1,112,368)
Investment property		**(717,112)**	(741,579)
Cash flows used in investing activities		**(1,792,780)**	(1,853,947)
FINANCING ACTIVITIES			
Advances and cash flows from financing activities		**1,810,000**	1,811,000
Net change in cash		**6,867**	(2,359)
Cash, beginning of year		**1,484**	3,843
Cash, end of year		**8,351**	1,484

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

Société en Commandite Bromont 1
Notes to the Financial Statements
As at December 31, 2017 and 2016
(expressed in Canadian Dollars)

1 - STATUTES OF INCORPORATION, NATURE OF OPERATIONS AND STATEMENT OF COMPLIANCE

Société en commandite Bromont 1 is a limited partnership (the "Limited Partnership") formed under the Civil Code of the Province of Quebec. The Limited Partnership invests in commercial, recreotouristical and residential real estate development projects located in Bromont. The Limited Partnership was established pursuant to the terms of a limited partnership agreement dated December 10, 2009 and it's head office and address for service is located at 100 – 640 Orly, Dorval, Quebec, H9P 1E9.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements include only the assets, liabilities, revenue and expenses of the Limited Partnership's operations. The statement of comprehensive income does not include any remuneration to the partners in determining net income and comprehensive income of the Limited Partnership.

The financial statements were approved and authorized by the General Partner on May 7, 2018.

2 - CHANGES IN ACCOUNTING POLICIES

Standards, Amendments and Interpretations to Existing Standards That Are Not Yet Effective and Have Not Been Adopted Early By the Limited Partnership

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the International Accounting Standards Board ("IASB") that are not yet effective, and have not been adopted early by the Limited Partnership. Information on those expected to be relevant to the financial statements is provided below. Management anticipates that all relevant pronouncements will be adopted in for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduced improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking expected loss impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. Adoption of this standard will not have a significant impact on the financial statements.

Société en Commandite Bromont 1
Notes to the Financial Statements
As at December 31, 2017 and 2016
(expressed in Canadian Dollars)

2 - CHANGES IN ACCOUNTING POLICIES (Continued)

Standards, Amendments and Interpretations to Existing Standards That Are Not Yet Effective and Have Not Been Adopted Early By the Limited Partnership (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 Revenue, IAS 11 Construction Contracts, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Adoption of this standard will not have a significant impact on the financial statements.

IFRS 16 Leases

In January 2016, the IASB published IFRS 16 which will replace IAS 17 Leases and three related interpretations. IFRS 16 largely retains IAS 17's approach to lessor accounting, but introduces numerous and significant changes to lessee accounting, such as the elimination of the classification as an operating lease and the requirement for lessees to recognize a right-of-use asset and a lease liability in the balance sheet for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease, sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods, changes the accounting for sale and leaseback arrangements, and introduces new disclosure requirements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Limited Partnership has yet to assess the impact of this new standard on its financial statements.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Measurement

These financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

Functional and Presentation Currency

The Limited Partnership's financial statements are presented in Canadian dollars, which is also its functional currency.

Société en Commandite Bromont 1
Notes to the Financial Statements
As at December 31, 2017 and 2016
(expressed in Canadian Dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Recognition, Initial Measurement and Derecognition

Financial assets and financial liabilities are recognized when the Limited Partnership becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

– Financial Assets

For the purpose of subsequent measurement, financial assets are classified into "Loans and Receivables" upon initial recognition:

All financial assets are subject to review for impairment annually and written down when there is evidence of impairment.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Limited Partnership’s cash fall into this category.

– Financial Liabilities

The Limited Partnership's financial liabilities include trade and other payables, advances and term loan. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

Investment Property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are initially accounted at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management and subsequently measured using the fair value model. Investment properties are revalued annually with resulting gains and losses recognized in profit or loss, and are included in the statement of financial position at their fair values.

Société en Commandite Bromont 1
Notes to the Financial Statements
As at December 31, 2017 and 2016
(expressed in Canadian Dollars)

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land Held for Residential Development

Land held for residential development is accounted at acquisition cost and is valued at the lower of cost or net realizable value. Cost include the costs related to the development of the land as well as borrowing costs.

Provisions

Provisions are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. No liability is recognized when the outflow of resources from a potential obligation resulting from past events is not probable, such situations are disclosed as contingent liabilities unless the outflow of resources is remote. The provisions are measured based on management's best estimate of the outcome based on facts known at the reporting date. Provisions are discounted to their present values, where the time value of money is material. As at December 31, 2017 and 2016, the Limited Partnership has no provisions.

Revenue

Rental income is recognized on a straight-line basis over the term of the lease when collection is reasonably assured

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Partners' Capital

Partners' Capital represents the value received for the units upon issuance as well as the current and prior period retained profits and losses after distribution to the partners.

Income Taxes

The Limited Partnership is not subject to tax under Part I of the Income Tax Act (Canada) (the "Tax Act"). Each partner of the Limited Partnership is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of the Limited Partnership for its fiscal year ending in or on the partner's taxation year-end, whether or not any of that income or loss is distributed to the partner in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

Société en Commandite Bromont 1
Notes to the Financial Statements
As at December 31, 2017 and 2016
(expressed in Canadian Dollars)

4 - PRINCIPAL UNCERTAINTIES ARISING FROM THE USE OF ESTIMATES AND CRITICAL JUDGEMENT BY MANAGEMENT

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in profit or loss in the period in which they become known.

Items for which actual results may differ materially from these estimates are described in the following section.

Significant Management Judgement

There is no significant management judgement in the preparation of these financial statements.

Estimation Uncertainty

Fair Value Measurement

Management uses valuation techniques to determine the fair value of non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the non-financial assets. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Investment properties are stated at their fair values at the statement of financial position date. Independent appraisal values obtained, as well as those determined by management, are subject to significant estimates and assumptions about market conditions in effect at the statement of financial position date.

5 - INVESTMENT PROPERTY

A reconciliation of the investment property is as follows:

	2017	2016
	$	$
Balance, beginning of year	**30,741,579**	30,000,000
Development costs	**57,112**	79,771
Borrowing costs	**660,000**	661,808
Balance end of year	**31,458,691**	30,741,579

Société en Commandite Bromont 1
Notes to the Financial Statements
As at December 31, 2017 and 2016
(expressed in Canadian Dollars)

5 - INVESTMENT PROPERTY (Continued)

Valuation Process

Fair value of the Limited Partnership's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers or internal valuations. The significant inputs and assumptions are developed in close consultation with management. The valuation process and fair value changes are reviewed at each reporting date. The fair value is categorized in Level 2 in the fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows :

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Unobservable input for the asset or liability.

The appraisals for each of the investment properties at fair value were carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location and current use. The extent and direction of this adjustment depends on the number of characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this is a subjective judgement, management considers that the overall valuation could not be materially affected by reasonably possible alternative assumptions. As at December 31, 2017 and 2016, there was no significant change in the fair value of the investment property.

6 - ADVANCES

	2017	2016
	$	$
Advances from the limited partners, without interest, payable on demand	**5,459,000**	3,067,000
Advances from a company controlled by a limited partner, without interest, payable on demand	**1,218,000**	1,935,000
Advances from a company controlled by two limited partners, without interest, payable on demand	**866,000**	731,000
	7,543,000	5,733,000

Société en Commandite Bromont 1
Notes to the Financial Statements
As at December 31, 2017 and 2016

(expressed in Canadian Dollars)

7 - TERM LOAN

	2017	2016
	$	$
Term loan, 15%, payable on demand, secured by the investment property	**11,000,000**	11,000,000

Borrowing costs for the term loan were capitalized in Land held for residential development for $990,000 ($992,712 in 2016) and in Investment property for $660,000 ($661,808 in 2016).

8 - PARTNERS' CAPITAL

Authorized

The capital of the Limited Partnership is composed of an unlimited number of units without par value, having voting rights.

Allocation of Net Income or Net Loss

Net income or net loss for each given year shall be allocated among all partners as follows:

i) The general partner shall receive 0.4% of the net income of the partnership as well as all net losses not allocated to the limited partners;

ii) The limited partners shall receive net income prorata the number of units held as well as attributed net loss up to their initial investment in the partnership.

9 - FINANCIAL INSTRUMENTS

The Limited Partnership is exposed to various financial risks through its financial instruments: liquidity risk and interest rate risk. The following analysis enables users to evaluate the nature and extent of the risks at the end of the reporting period.

Liquidity Risk

Liquidity risk is that the Limited Partnership might be unable to meet its obligations. The Limited Partnership manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below.

The Limited Partnership’s funding is provided in the form of advances and available cash on hand which provide adequate resources to meet its financial obligations as they become due.

The Limited Partnership's financial liabilities mature within the next 12 months.

10 - CAPITAL MANAGEMENT DISCLOSURES

The Limited Partnership’s objectives when managing capital are to:

– maintain financial flexibility in order to preserve its ability to meet its financial obligations, including potential liabilities resulting from additional acquisitions;

– maintain a capital structure that allows it to finance its growth strategy with cash flows from its operations and its debt capacity; and

– optimize the use of its capital to provide an appropriate return on investment.

The capital structure of the Limited Partnership consists of the Partner’s Capital, advances and the term loan.

The Limited Partnership’s financial strategy is developed and adapted on the basis of market conditions to maintain a flexible capital structure consistent with the objectives stated above and to respond to the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Limited Partnership may finance an existing debt, take out new borrowings or repurchase units or issue new units.

The Limited Partnership’s financial strategy and objectives have remained substantially unchanged for the past year fiscal year. The objectives and strategy are reviewed annually. The Limited Partnership believes that its current ratios are satisfactory, given its size, capital management objectives and growth strategy.

11 - RELATED PARTIES

Related parties of the Limited Partnership include the general partner and limited partners as well as companies controlled by the limited partners.

The balances and amounts owed from the Limited Partnership to related parties are presented separately in the financial statements.