
Consolidated financial statements of All Island Equity REIT

December 31, 2025

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Independent Auditor's Report

To the Unitholders of
All Island Equity REIT

Opinion

We have audited the consolidated financial statements of All Island Equity REIT (the "REIT"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of income and comprehensive income, changes in net assets attributable to holders of redeemable units, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the REIT as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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 Financial Statements* section of our report. We are independent of the REIT in accordance with the 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.

Other Matter

The financial statements of the REIT for the year ending December 31, 2024, were audited by another auditor, who issued an unmodified audit opinion on those consolidated financial statements dated March 14, 2025.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS[®] Accounting Standards as issued by the IASB, 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.

In preparing the consolidated financial statements, management is responsible for assessing the REIT'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 REIT or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 REIT'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 REIT'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 REIT 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units within the REIT as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a clean, sans-serif font.

Chartered Professional Accountants
March 12, 2026

All Island Equity REIT
Consolidated statement of financial position

As at December 31, 2025
(Expressed in Canadian dollars)

	Notes	2025 \$	2024 \$
Assets			
Non-current assets			
Investment properties	4	296,511,728	236,643,274
Derivative financial instruments		56,975	214,860
		296,568,703	236,858,134
Current assets			
Cash and cash equivalents		342,144	120,204
Trade receivables and other		496,447	275,914
Prepaid expenses and deposits		1,622,316	2,279,526
		2,460,907	2,675,644
Total assets		299,029,610	239,533,778
Liabilities			
Non-current liabilities			
Long-term portion of loans	5	121,006,784	99,474,532
Current liabilities			
Line of credit	5	3,707,516	1,469,977
Trade payables and accrued liabilities	10	1,950,482	2,211,841
Security deposits		948,622	734,904
Deferred revenue		169,058	103,729
Current portion of loans	5	23,812,731	2,352,835
		30,588,409	6,873,286
Total liabilities		151,595,193	106,347,818
Commitments	11		
Net assets attributable to holders of redeemable units	6	147,434,417	133,185,960

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

Approved on behalf of the Trustee of All Island Equity REIT

_____, "Bernard Adrian Vanderhorst", Director

_____, "Garth Lyle Busch", Director

All Island Equity REIT

Consolidated statement of income and comprehensive income

Year ended December 31, 2025

(Expressed in Canadian dollars)

	Notes	2025 \$	2024 \$
Earnings from property operations			
Rental revenue		18,549,982	15,246,555
Property operating expenses		(7,194,611)	(6,190,628)
		11,355,371	9,055,927
Other expenses			
Administration fees and other	10	2,428,051	1,813,991
Professional fees		232,382	206,170
		2,660,433	2,020,161
Financing expenses			
Interest expense		4,902,441	3,196,375
Amortization of deferred financing fees		698,417	478,851
Other expense (income)		3,886	(22,365)
		5,604,744	3,652,861
Operating income		3,090,194	3,382,905
Other income (loss)			
Unrealized gain on revaluation of investment properties	4	7,609,781	8,771,197
Unrealized loss on revaluation of derivative financial instruments		(157,886)	(41,477)
		7,451,895	8,729,720
Net income and comprehensive income		10,542,089	12,112,625
Weighted average number of units		7,403,225	6,940,493

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

All Island Equity REIT

Consolidated statement of changes in net assets attributable to holders of redeemable units

Year ended December 31, 2025

(Expressed in Canadian dollars)

Notes	Number of				Total units #	Total \$
	Class A PAY units	Class F PAY units	Class A DRIP units	Class F DRIP units		
	#	#	#	#		
Balance as at January 1, 2024	415,828	1,314,036	1,961,032	3,237,420	6,928,316	118,882,332
Unit issuance – Raised	12,778	87,551	119,254	314,054	533,637	9,168,320
Unit issuance – Distribution	—	—	48,393	111,631	160,024	2,771,442
Distribution – Paid	—	—	—	—	—	(1,490,127)
Distribution – DRIP	—	—	—	—	—	(2,771,442)
Unit redemptions	(18,544)	(100,566)	(72,577)	(105,506)	(297,193)	(5,093,030)
Transfers between units	(3,823)	318,038	(110,060)	(204,155)	—	—
Unit issuance costs	—	—	—	—	—	(394,160)
Net income and comprehensive income	—	—	—	—	—	12,112,625
Balance as at December 31, 2024	406,239	1,619,059	1,946,042	3,353,444	7,324,784	133,185,960

	Number of				Total units #	Total \$
	Class A PAY units	Class F PAY units	Class A DRIP units	Class F DRIP units		
	#	#	#	#		
Balance as at January 1, 2025	406,239	1,619,059	1,946,042	3,353,444	7,324,784	133,185,960
Unit issuance – Raised	16,619	25,393	117,235	317,125	476,372	8,696,257
Unit issuance – Distribution	—	—	43,374	125,356	168,730	3,109,988
Distribution – Paid	—	—	—	—	—	(1,720,874)
Distribution – DRIP	—	—	—	—	—	(3,109,988)
Unit redemptions	(6,924)	(31,518)	(60,712)	(58,507)	(157,661)	(2,866,487)
Transfers between units	(10,713)	269,421	(366,473)	107,765	—	—
Unit issuance costs	—	—	—	—	—	(402,528)
Net income and comprehensive income	—	—	—	—	—	10,542,089
Balance as at December 31, 2025	405,220	1,882,356	1,679,466	3,845,182	7,812,224	147,434,417

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

All Island Equity REIT

Consolidated statement of cash flows

Year ended December 31, 2025

(Expressed in Canadian dollars)

	2025	2024
	\$	\$
Operating activities		
Net income	10,542,089	12,112,625
Items not affecting cash		
Amortization of deferred financing fees	698,417	478,851
Unrealized gain on revaluation of investment properties	(7,609,781)	(8,771,197)
Unrealized (gain) loss on derivative financial instruments	157,886	41,477
Interest expense	4,902,441	3,196,375
	8,691,052	7,058,131
Changes in non-cash working capital		
Trade receivables and other	(220,533)	(16,430)
Prepaid expenses and deposits	657,210	(1,947,043)
Trade payables and accrued liabilities	(261,359)	1,138,610
Security deposits	213,718	(57)
Deferred revenue	65,329	70,503
	9,145,417	6,303,714
Investing activities		
Purchase of investment properties	(49,351,187)	(1,262,408)
Capital additions to investment properties	(2,907,486)	(4,186,536)
	(52,258,673)	(5,448,944)
Financing activities		
Gross proceeds from issuance of units	8,696,257	9,168,320
Cash distributions	(1,720,874)	(1,490,127)
Units redeemed	(2,866,487)	(5,093,030)
Unit issuance costs	(402,528)	(394,160)
Line of credit advances	2,237,539	1,469,977
Loan proceeds received	46,513,675	445,000
Financing fees paid	(1,250,560)	(50,500)
Repayment of loan principal	(2,969,385)	(2,759,053)
Interest paid	(4,902,441)	(3,196,375)
	43,335,196	(1,899,948)
Change in cash and cash equivalents	221,940	(1,045,178)
Cash and cash equivalents, beginning of year	120,204	1,165,382
Cash and cash equivalents, end of year	342,144	120,204
Non-cash transactions		
Distributions reinvested in units	3,109,988	2,771,442

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

All Island Equity REIT

Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

1. Nature of operations

All Island Equity REIT (the "REIT") is a limited purpose, unincorporated, open-ended investment trust, governed by the terms and conditions of a Declaration of Trust dated March 1, 2017, as amended on May 29, 2018, and July 19, 2022, and by the general laws of trusts and the laws of British Columbia, Canada. AIE Services Inc. acts as the trustee of the REIT ("Trustee"). The registered office of the Trustee is 19th Floor, 885 West Georgia Street, Vancouver, BC, V6C 3H4 and the head office of the REIT in Victoria, BC.

The REIT commenced operations on May 14, 2017. The principal activities of the REIT involve the indirect ownership and management of a diversified portfolio of primarily residential properties in British Columbia, through its wholly owned subsidiary, All Island Equity REIT Limited Partnership.

2. Basis of presentation and statement of compliance

(a) Statement of compliance

These consolidated financial statements (the "financial statements") have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB").

These financial statements for the year ended December 31, 2025, were authorized for issue by the Board of Directors of the Trustee (the "Board") on March 12, 2026.

(b) Basis of measurement

These financial statements have been prepared on a going concern basis, under historic cost convention, except for investment properties and derivative financial instruments which have been measured at fair value.

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the REIT's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3(i).

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the REIT's functional currency. All amounts presented have been rounded to the nearest dollar.

3. Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below:

(a) Basis of consolidation

The financial statements comprise the financial statements of the REIT and its subsidiaries, over which the REIT has control. Control exists when the REIT has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

All Island Equity REIT
Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

3. Material accounting policies (continued)

(a) Basis of consolidation (continued)

The financial statements reflect the financial position, results of operations and cash flows of the REIT, its 100% owned subsidiary, All Island Equity REIT Limited Partnership (the "Limited Partnership"), and all related bare trust nominees, or similar, companies. Intra-group transactions and balances are eliminated in preparing the financial statements.

(b) Property acquisitions and business combinations

When investment properties are acquired, management considers the substance of the agreement in determining whether the acquisition represents an asset acquisition or a business combination. The basis of the judgment is set out in Note 3(i).

Where such acquisitions are not determined to be a business combination, they are treated as an asset acquisition. The cost to acquire the property is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as a business combination.

All acquisitions to date have been determined to be asset acquisitions.

(c) Investment properties

Investment properties comprise of properties held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost, including directly attributable expenditures. Subsequent to initial recognition, investment properties are measured using the fair value model. The REIT defines fair value to be the value a third party is willing to pay, in an arm's length transaction, for an investment property. Therefore, in the year of acquisition, the fair value of recently acquired investment properties is the purchase price and subsequent year's valuations form the new basis for the fair value recorded for the investment properties. Gains or losses arising from changes in fair values are included in the statement of income and comprehensive income in the year which they arise.

(d) Classification of redeemable units

Financial Instruments: Presentation ("IAS 32") requires that redeemable units of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability when they meet the criteria specified in IAS 32.

The REIT's redeemable units do not meet the criteria in IAS 32 for classification as equity as they involve contractual obligations on the part of the REIT. Therefore, the redeemable units have been classified as financial liabilities and referred to as net assets attributable to holders of redeemable units on the statement of financial position. The classification of the units as financial liabilities with presentation as net assets does not alter the underlying economic interest of the unitholders in the net assets and the net operating results attributable to unitholders.

(e) Revenue recognition

The REIT earns revenue from tenants primarily from base rent for the use of space leased, and also from recoveries of property taxes and insurance and service revenue from utilities, cleaning and property maintenance costs. Revenue from lease components is recognized as revenue on a straight-line basis over the lease term subject to ultimate collection being reasonably assured in accordance with IFRS 16.

All Island Equity REIT

Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

3. Material accounting policies (continued)

(e) Revenue recognition (continued)

Revenue related to the service component of the REIT's leases is accounted for in accordance with IFRS 15, Revenue from Contracts with Customers. These services consist primarily of a recovery of utilities, cleaning and property maintenance costs for which the revenue is recognized as the costs are incurred, which is when the services are rendered.

(f) Financial instruments

All financial instruments are initially measured at fair value with subsequent measurement based on their respective classification. For financial assets, the subsequent measurement is based on the REIT's business model for managing the asset and the cash flow characteristics of the asset. The REIT's financial assets are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest and, therefore, are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial asset/liability	Measurement
Cash and cash equivalents	Amortized cost
Derivative financial instruments	Fair Value through Profit and loss
Trade and other receivables	Amortized cost
Trade payables and accruals	Amortized cost
Security deposits	Amortized cost
Loans	Amortized cost

For financial assets and liabilities subsequently measured at amortized cost using the effective interest method, estimated future cash receipts and payments for liabilities are discounted over the expected life of the financial asset or financial liability, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method or any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowances. Net gains and losses from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

Impairment of financial assets

Financial assets carried at amortized cost are assessed at each reporting date on whether they are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The REIT applies the expected credit loss ("ECL") approach in determining provisions for financial assets carried at amortized cost. The REIT has elected to measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs. The approach that the REIT has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of the tenants. Specific provisions may be used where there is information that a specific tenant's expected credit losses have increased. The specific accounts are only written off once all the collection avenues have been explored or when legal bankruptcy has occurred.

All Island Equity REIT
Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

3. Material accounting policies (continued)

(f) Financial instruments (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the REIT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the REIT's historical experience and informed credit assessment and including forward-looking information. The credit risk on a financial asset is considered to have increased significantly if it is more than 90 days past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the consolidated statement of income and comprehensive income.

(g) Income taxes

The REIT qualifies as a "mutual fund trust" under the *Income Tax Act* (Canada) and as a Real Estate Investment Trust ("REIT") eligible for the 'REIT Exemption' in accordance with the rules affecting the tax treatment. Pursuant to the Declaration of Trust, the Board intends to distribute or designate all taxable income to the unitholders of the REIT and to deduct such distributions and designations for Canadian Income Tax purposes. Accordingly, the REIT is not taxable on its income provided all of taxable income is designated to the unitholders.

(h) Fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or on a valuation technique using market-based inputs.

Fair value measurements recognized in the consolidated statement of financial position are categorized in accordance with the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The REIT measures investment properties at fair value at the end of each reporting period. Management estimates the fair value of its investment properties using the direct capitalization income method for most of its properties. For the REIT's leasehold properties, management estimates the fair value using a combination of the direct capitalization income method and the direct comparison approach. For the direct capitalization income method, the fair value is determined by applying a capitalization rate to stabilized net operating income. The result is further adjusted for potential leasing costs, capital expenditures, and costs to stabilize income. Since significant adjustments may be made to key inputs, the REIT measures the fair value under level 3 of the fair value hierarchy.

All Island Equity REIT
Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

3. Material accounting policies (continued)

(i) Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

(i) Judgments

In the process of applying the REIT's accounting policies, management has made the following critical judgments, which have the most effect on the amounts recognized in the financial statements:

Asset acquisitions

The REIT periodically acquires individual investment properties. As disclosed in Note 2(b), at the time of acquisition, management considers whether or not the acquisition represents the acquisition of a business or an asset acquisition under IFRS 3, Business Combinations ("IFRS 3"). The determination is based on whether the investment property has an integrated set of activities acquired in addition to the property and the extent of ancillary services provided by the property.

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities.

Lease contracts

The REIT has entered into property leases on its investment property portfolio as the lessor. The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases. The REIT must assess each lease separately against land and building. The REIT has determined that all of its leases are operating leases as the REIT retained substantially all of the risks and benefits of ownership.

Lessor entities

The REIT incorporated two entities that act as lessors in their respective headleases. The REIT does not have power over the lessor entities nor exposure or rights to variable returns from its involvement in the lessor entities and, therefore, the entities are not consolidated under IFRS 10, Consolidated financial statements.

(ii) Estimates

The significant areas of estimation include the following:

Valuation of investment properties

The fair value of the investment properties is determined using recognized valuation techniques. Appraisals are performed annually for all properties, except for those acquired during the year, by accredited independent appraisers with recognized and relevant professional qualifications. Management reviews each appraisal and ensures that the assumptions used are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair values of the investment properties.

All Island Equity REIT
Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

3. Material accounting policies (continued)

(i) *Significant accounting judgments and estimates (continued)*

(ii) *Estimates (continued)*

Valuation of investment properties (continued)

The determination of the fair value of the investment properties requires the use of estimates such as future cash flows from assets (based on the review of anticipated cash flows involving assumptions relating to occupancy, rental rates and residual value, and overall repair and condition of the property) and capitalization rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

The Income Approach derives market value by estimating the future cash flows that will be generated by the investment property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or the discounted cash flow analysis.

The Direct Comparison Approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the investment property and adjusting for any significant differences between them.

Management reviews each third-party appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

The significant assumptions used by management in estimating the fair value of investment property are set out in Note 4.

Provisions

Provisions are recognized by the REIT when: i) the REIT has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) the amount can be reasonably estimated. If the time value of money is material, provisions are discounted using a current rate that reflects the risk profile of the liability, and the increase to the provision due to the passage of time will be recognized as interest expense.

(j) *Standards, amendments and interpretations adopted*

There were no IFRS Accounting Standards as issued by the IASB adopted by the REIT in the current fiscal year that impacted the financial statements.

At the date of authorization of the financial statements, the REIT has not applied the following revised IFRS Accounting Standards as issued by the IASB that have been issued but are not yet effective.

All Island Equity REIT
Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

3. Material accounting policies (continued)

(j) *Standards, amendments and interpretations adopted (continued)*

IFRS 7 and IFRS 9 – Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7. The amendments clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities with an exception for derecognition of financial liabilities settled via an electronic transfer.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

IFRS 18, Presentation and Disclosure in the Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in the Financial Statements (“IFRS 18”), which sets out the overall requirements for presentation and disclosures in the financial statements. The new standard will replace IAS 1, Presentation of Financial Statements (“IAS 1”). Although much of the substance of IAS 1 will be included in IFRS 18, the new standard incrementally will:

- With a view to improving comparability amongst entities, require presentation in the statement of operations of a subtotal for operating profit and a subtotal for profit before financing and income taxes (both subtotals as defined in the new standard);
- Enhance the requirements for aggregation and disaggregation of financial statement amounts;
- Require limited changes to the statement of cash flows, including elimination of options for the classification of interest and dividend cash flows; and

The standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier adoption permitted.

The REIT is assessing the impact of these future amendments but does not believe they will materially impact the financial statements.

4. Investment properties

The balance of the investment properties is as follows:

	2025	2024
	\$	\$
Balance, beginning of year	236,643,274	222,423,133
Purchase of new investment properties	49,351,187	1,262,408
Capital additions	2,907,486	4,186,536
Disposal of investment properties	—	—
Unrealized gain on revaluation of investment properties	7,609,781	8,771,197
Balance, end of year	296,511,728	236,643,274

All Island Equity REIT
Notes to the consolidated financial statements

December 31, 2025

(Expressed in Canadian dollars)

4. Investment properties (continued)

The significant assumptions made to the fair value of the investment properties are:

	2025 Weighted average	2025 Range
Capitalization rate (%)	4.45%	3.25% - 5.75%
	2024 Weighted average	2024 Range
Capitalization rate (%)	4.45%	3.50% - 5.75%

Fair values are most sensitive to changes in the capitalization rates. An increase or decrease in the capitalization rate by 25 basis points would decrease or increase the fair value by \$15.8 million or \$17.7 million respectively.

5. Loans

Loans are secured by charges on the REIT's investment properties which have a carrying value of \$284,541,184.

	As at December 31, 2025		
	Weighted average rate %	Weighted average term	2025 Total \$
Fixed rate debt			
CMHC insured fixed rate mortgages	3.03%	5.25 Years	115,032,965
Fixed rate mortgages	3.86%	1.46 Years	31,948,141
			146,981,106
Floating rate debt			
Variable rate mortgages	Prime + 0.55%	0.9 Years	1,196,481
			148,177,587
Deferred financing costs			(3,358,072)
			144,819,515

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5. Loans (continued)

	As at December 31, 2024		
	Weighted average rate %	Weighted average term	2024 Total \$
Fixed rate debt			
CMHC insured fixed rate mortgages	2.74%	6.27 Years	82,485,551
Fixed rate mortgages	3.28%	2.04 Years	21,708,426
			<u>104,193,977</u>
Floating rate debt			
Non revolving term loans			
Variable rate mortgages	Prime + 0.5%	1.92 Years	439,318
			104,633,295
Deferred financing costs			<u>(2,805,928)</u>
			<u>101,827,367</u>

	2025 \$	2024 \$
Current portion of long term debt	24,617,741	2,829,693
Current portion of unamortized mortgage transactions costs	(805,010)	(476,858)
Non current portion of long term debt	123,559,846	101,803,603
Non current portion of unamortized mortgage transaction costs	(2,553,062)	(2,329,071)
	144,819,515	<u>101,827,367</u>

Scheduled principal repayments and maturities on loans for each of the next five years and thereafter are as follows:

	Scheduled Principal payments \$	Principal maturities \$	Total repayment \$
2026	3,509,319	21,108,422	24,617,741
2027	2,854,360	5,437,192	8,291,552
2028	2,483,678	19,660,729	22,144,407
2029	2,323,535	14,227,417	16,550,952
2030	1,987,535	18,004,021	19,991,556
Thereafter	2,536,311	54,045,068	56,581,379
Total	<u>15,694,738</u>	<u>132,482,849</u>	<u>148,177,587</u>

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5. Loans (continued)

The REIT had the following net finance costs during the year:

	2025	2024
	\$	\$
Finance expense		
Interest on		
Line of credit	359,219	197,017
Mortgages	4,543,222	2,999,358
	4,902,441	3,196,375
Change in fair value of derivative financial instrument	157,886	41,477
Deferred financing fees amortization expense	698,417	478,851
Finance costs, net	5,758,744	3,716,703

Line of credit

The REIT has a line of credit of up to \$8,500,000 (\$12,000,000 in 2024), secured by certain investment properties, repayable on demand and bearing interest at the bank's prime rate plus 1.5% per annum.

Under the terms of the loan agreements, the REIT is required to comply with certain loan covenants. As at December 31, 2025, all covenants were met.

6. Unitholders' equity

Under the Declaration of Trust, the REIT is authorized to issue unlimited number of redeemable REIT units without par value. The Trustee has the power and authority, from time to time, for and on behalf of the REIT, to create one or more classes or series of units on such terms and conditions as may be determined by the Trustee.

The REIT currently has two classes of units being Class A and Class F units. All Class A units allow for a trailer fee (an annual fee which may be paid by the REIT to registered securities dealers and exempt market dealers) of up to 1% of the Net Asset Value. Otherwise, all units of each class are entitled to participate equally with respect to distributions made.

Unitholders can elect to either receive distributions in cash or participate in the Distribution Reinvestment Plan ("DRIP"). The DRIP allows holders to have cash distributions reinvested in additional units of the same class of units held. Unitholders can switch between receiving distribution in cash or participating DRIP at their discretion.

(a) Unit issuance

During the year, the REIT issued 476,372 (533,637 in 2024) units for gross proceeds of \$8,696,257 (\$9,168,320 in 2024).

6. Unitholders' equity (continued)

(b) Unit redemptions

During the year, the REIT redeemed 157,661 (297,193 in 2024) units for total consideration of \$2,866,487 (\$5,093,030 in 2024).

The total value of units tendered for redemption will be paid to a unitholder by way of a cash payment no later than the last day of the month following the calendar quarter in which the redemption request occurs, subject to the following limitations:

- (i) the total amount payable by the REIT by cash payment in respect of the redemption of units for the calendar quarter in which the redemption request occurs will not exceed \$50,000; and
- (ii) the total amount payable by the REIT by cash payment in respect of the redemption of units in any twelve-month period ending at the end of the calendar quarter in which the redemption request occurs will not exceed 1/4 of 1% of the aggregate subscription price of all units that were issued and outstanding at the start of such twelve-month period.

Notwithstanding the foregoing, the Trustee, in its sole discretion, may but will in no way be obligated, to make cash payments in excess of the limits set out in the Trust Declaration.

To date, all units tendered for redemption have been paid by way of cash payment.

(c) Payment of redemption price in specie

If any of the conditions in (b)(i) and (b)(ii) above preclude the payment of the redemption request in cash, and the Trustee does not, in its sole discretion, waive such limitation in respect of all units tendered for redemption in any particular calendar quarter, the redemption amount shall be satisfied by way of any of the following methods to be selected by the Trustee, using its sole discretion:

- (i) the issuance of Trust Notes, equal to the redemption request;
- (ii) a distribution in specie to the unitholder of Limited Partnership units under the terms and conditions of the Limited Partnership Agreement, equal to the redemption request; or
- (iii) a distribution in specie to the unitholder of a number of debt securities equal to the redemption request.

(d) Distributions

During the year, the Trustee approved total distributions of \$4,830,862 (\$4,261,569 in 2024) on the Class A and Class F units, of which \$3,109,988 (\$2,771,442 in 2024) was reinvested through the DRIP and \$1,720,874 (\$1,490,127 in 2024) was paid in cash.

The distribution rate is determined by, among other considerations, the assessment of cash flows as determined using adjusted cash flows from operating activities and incorporating existing and anticipated circumstances of the REIT and ultimately approved by the Trustee, in its sole discretion. Distributions may be adjusted for amounts paid in prior periods if the actual adjusted cash flows from operating activities for those prior periods are greater or less than the estimates used for those prior periods. In addition, the Trustee may declare distributions out of the income and/or realized capital gains of the REIT to the extent such amounts have not already been paid, allocated or distributed.

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7. Operating leases – REIT as Lessor

The REIT has entered into leases with tenants on its investment property portfolio. The residential leases typically have initial lease terms of one year, then continue on a month-to-month basis and the commercial tenants have initial lease terms ranging between one and five years with periodic upward revisions of the rental charge according to the prevailing market conditions.

Future minimum lease payments for commercial tenants under non-cancellable operating leases in the aggregate and for each of the following periods are as follows:

	2025	2024
	\$	\$
Within one year	1,058,649	1,005,758
Two to five years	2,299,543	2,644,437
Over five years	—	130,825
	3,358,192	3,781,020

Victoria Leasehold Portfolio

On November 16, 2021, the REIT purchased the freehold interest in a portfolio consisting of five properties in Victoria, BC. Four of the properties (the "Leasehold Properties") have head leases registered on title that mature on 31 December 2073 (the "Leasehold Obligation").

These head leases are sub-leased to individual suites (the "Lessee Units") in accordance with the terms and conditions of the leasehold contract. The contract allows the owners (the "Lessees") of each sub-leased unit to occupy the Lessee Units until the maturity of the head lease. On maturity, the right to occupy the Lessee Units lapses and the Leasehold Obligation ceases. In aggregate, 276 Lessee Units are registered on title, of which, at December 31, 2025, the REIT owns 100 (95 in 2024) of the Lessee Units with the remaining 176 (181 in 2024) Lessee Units owned by third parties.

Under the terms of the Leasehold Obligation, the Lessee Units do not pay rent but are responsible for their proportionate share of the costs incurred related to the respective Leasehold Properties, acting reasonably (the "Operating Costs"). Operating Costs include all amounts payable, including capital expenditures, and are paid monthly by the Lessees.

The REIT recognizes any expenses incurred as it relates to the REIT's ownership of the 100 Lessee Units.

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8. Capital management

The REIT defines capital as the aggregate of unitholders' equity and loans. The REIT's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the offering memorandum, complies with existing debt covenants, funds its business strategies and builds long-term unitholders' value. The REIT's capital structure is approved by the Board through its periodic reviews. The REIT is not subject to externally imposed capital requirements.

9. Financial instruments

For certain REIT financial instruments, including cash and cash equivalents, trade and other receivables, and trade payable and accruals, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The fair values of loans are determined by discounting the future contractual cash flow under current financing arrangements at discount rates that represent borrowing rates presently available to the REIT for loans with similar terms and maturity and measured under level 2 fair value hierarchy.

The following table presents the carrying amounts and fair values of the REIT's financial instruments that are carried at amortized cost:

	Carrying amount	2025 Fair value	Carrying amount	2024 Fair value
	\$	\$	\$	\$
Cash and cash equivalents	342,144	342,144	120,204	120,204
Derivative financial instruments	56,975	56,975	214,860	214,860
Trade and other receivables	496,447	496,447	275,913	275,913
Trade payable and accruals	1,950,482	1,950,482	2,211,841	2,211,841
Line of credit	3,707,516	3,707,516	1,469,977	1,469,977
Loans	144,819,515	141,678,259	101,827,366	104,633,294

Financial risk management

The Board of the REIT has the overall responsibility for the establishment and oversight of the REIT's risk management framework. The REIT's risk management policies are established to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the REIT's activities.

In the normal course of business, the REIT is exposed to several risks from its use of financial instruments. These risks, and the actions taken to manage them, are as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the REIT if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the REIT's cash and cash equivalents and trade receivables from tenants.

The REIT's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The REIT minimizes the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process.

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9. Financial instruments (continued)

Financial risk management (continued)

(a) Credit risk (continued)

Trade and other receivables are comprised primarily of current balances owing and the REIT has not experienced any significant receivable write-offs. The REIT performs frequent reviews of its receivables and has determined there is no significant provision for doubtful accounts as at December 31, 2025 and 2024.

The REIT places cash and cash equivalents with Canadian financial institutions with high credit ratings, and these financial institutions are expected to meet their obligations.

(b) Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The REIT is exposed to interest rate risk on the fixed rate loans should the REIT want to repay a loan prior to maturity due to changes in market interest rates.

(c) Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT was required to liquidate a real estate property investment, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's approach to managing liquidity is to ensure that it will have sufficient cash available to meet those liabilities which are not expected to be refinanced when they come due. As at December 31, 2025, the REIT reasonably expects that all mortgages with maturities in 2026 will be refinanced and has sufficient cash on hand to settle all other current liabilities.

As disclosed in Note 6(c), the REIT is exposed to redemption risk. Should the REIT be precluded from paying the redemption request in cash, the payment will be made in specie.

The following are the contractual maturities of financial liabilities as at December 31, 2025.

	Carrying amount	Due in 1 year	Over 1 year
	\$	\$	\$
Trade payable and accruals	1,950,482	1,950,482	—
Line of credit	3,707,516	3,707,516	—
Loans	144,819,515	23,812,731	121,006,784

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10. Related party transactions

The REIT's related parties consist of AIE Management Inc., directors, and key members of management. Transactions between the REIT and related parties were in the normal course of operations and were measured at fair value, which represented the amount of consideration established and agreed to by the related parties.

Transactions with AIE Management Inc. (the "Manager")

The Manager is related to the REIT by virtue of having officers and directors in common with the REIT. The Manager is also the General Partner of the Limited Partnership.

As of December 31, 2025, the Limited Partnership Agreement states that net income or loss of the Limited Partnership from the ordinary course of operations of the investment properties will be allocated as follows:

- Firstly, 0.01% to the General Partner to a maximum of \$100 per annum; and
- Secondly, the balance of net income or loss shall be allocated to the REIT, as the sole Limited Partner.

In connection with the services provided by the Manager under the Management Agreement (Note 11), the REIT incurred the following fees:

	2025	2024
	\$	\$
Asset management fee	1,522,592	1,426,097
Asset acquisition fee	503,738	15,776
Financing fees	220,276	—
Repositioning fees	40,510	—
	2,287,116	1,441,873

In connection with the above fees, as at December 31, 2025, \$84,055 (\$31,088 in 2024) is included in accounts payable and accrued liabilities.

Transactions with the Trustee

The Trustee is related to the REIT by virtue of having officers and directors in common with the REIT. The Trustee has no business activities other than acting as Trustee of the REIT.

During the years December 31, 2025 and 2024, there were no transactions with the Trustee.

During the year ended December 31, 2025, the REIT incurred director fees of \$131,771 (\$112,500 in 2024).

11. Commitments

Under terms of the Management Agreement between the REIT and the Manager, the REIT must pay the Manager:

- An acquisition fee equal to 1.00% of the gross purchase price of each investment property purchased in the year;
- An asset management fee up to 0.50% of the Gross Asset Value (defined as the fair market value of all assets of the REIT);
- A disposition fee of 1.00% of the sales price of an investment property, provided that such fee will only be payable in the event that REIT must sell, transfer, assign or dispose of a property or interest therein to generate cash to satisfy redemptions of Limited Partnership units by the Trust; and
- Re-positioning and financing fees if those services are provided by the Manager.

Should the REIT or the Manager wish to terminate the Management Agreement under terms of the Management Agreement (the "Termination Event") the REIT shall pay the Manager, in immediately available funds on the date of termination, an amount equal to the greater of: (1) twelve times the total amount of the asset management fee received and/or earned by the Manager during the most recently completed quarter on or prior to the termination date; and (2) \$2,500,000, in each case, plus applicable taxes.

The REIT shall not be required to pay the Manager the termination payment if the REIT terminates the Management Agreement for any other reason that does not constitute a Termination Event, including if the Manager is in breach of the contract, or is unable to discharge its duties thereunder.