NOTICE TO READER

Amendment and Restatement of the Consolidated Financial Statements

August 15, 2022

Subsequent to the issuance of the audited Consolidated Financial Statements for the years ended December 31, 2021 and 2020, the REIT identified a reclassification that required the restatement of amounts within the REIT's Consolidated Balance Sheet. Users of the REIT's financial statements should note that the adjustments do not change the REIT's total assets, liabilities or equity, and do not impact any of the REIT's other statements.

The consolidated financial statements for the year ended December 31, 2021 have been restated to recognize a change in the classification of a portion of two of the REIT's mortgage loans from non-current liabilities to current liabilities for an amount of $24.4M. This reclassification is necessary due to the year-end debt service covenant ratio not being met on the mortgage loans as at December 31, 2021, thus resulting in a breach of loan covenants for both mortgage loans, allowing the lenders to call the principal outstanding on demand.

The REIT has been in communication with the lenders for both mortgage loans to refinance the loans and remediate the covenants that have been breached. Through correspondence with the lenders, there has been no evidence that would indicate that either of the lenders intend to call the principal on the loans, despite the breach of covenant. The REIT has been able to meet all other obligations, covenants, and payments required as per the mortgage loan contracts.

Full details of the numerical amendments can be found in Note 34 of the Restated Audited Consolidated Financial Statements, while additional context can be found in the "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting" section of the restated Q4 2021 MD&A.

INOVALIS REAL ESTATE INVESTMENT TRUST AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021, and 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The restated consolidated financial statements of Inovalis REIT and the restated other financial information contained in the Annual Report have been prepared by, and are the responsibility of, the management, which is responsible for the integrity and fairness of the financial information presented. These restated consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), using management's best estimates and judgments when appropriate.

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

Ernst & Young LLP, the independent auditor, has audited the restated consolidated financial statements in accordance with Canadian generally accepted auditing standards. The auditor has full and unrestricted access to the Audit Committee, with or without management present.

David Giraud

Chief Executive Officer

Toronto, Canada, August 15, 2022

Independent auditor's report

To the unitholders of
Inovalis Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of **Inovalis Real Estate Investment Trust** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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 Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted 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 Group 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.

Emphasis of matter - Amended consolidated financial statements

We draw attention to Note 34 to the consolidated financial statements, which describes that the consolidated financial statements that we originally reported on March 22, 2022 have been amended and describes the matter that gave rise to the amendment of the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group's investment property portfolio is comprised of income-producing properties owned directly with a fair value of $428 million and the Group's share of the fair value of income-producing properties held through investments in joint ventures of $143 million at December 31, 2021. The Group engaged external specialists to value the investment property portfolio. The valuation methodology for these investment properties is based on an income approach, utilizing the direct capitalization method. The valuation of the Group's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including, capitalization rates, and stabilized net operating income adjustments, such as market rental rates and stabilized vacancy. Given the size of the investment property portfolio relative to total consolidated assets of the Group, a relatively minor adjustment in assumptions in the valuation of each individual property can lead to a material difference in the consolidated financial statements. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements. Note 3 of the consolidated financial statements describes the accounting policy for investment properties. Note 7 of the consolidated financial statements discloses the valuation method and valuation inputs, as well as the sensitivity of the fair value of investment properties to a change in capitalization rates.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence, objectivity and capabilities of management's external specialists engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations and assessed the suitability of the valuation methodology utilized. • For a sample of investment properties, we evaluated the significant assumptions used in the determination of the capitalization rate and the stabilized net operating income adjustments by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and whether these were appropriately included in the overall assessment of fair value. • We evaluated the REIT's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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

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

We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP [1]

Montréal, Canada
August 15, 2022

[1] CPA auditor, public accountancy permit no. A113209

Inovalis Real Estate Investment Trust
Restated Consolidated Balance Sheets
As at December 31,
(All dollar amounts in thousands of Canadian dollars)

Assets	*Note*	2021 restated (Note 34)	2020
Non-current assets			
Investment properties	*7*	**427,631**	541,218
Investments in joint ventures	*8*	**64,327**	75,987
Restricted cash	*12*	**4,964**	4,874
Total non-current assets		**496,922**	**622,079**
Current assets			
Trade receivables and other financial assets	*10*	**9,368**	6,623
Derivative financial instruments	*9*	**845**	15
Other current assets	*11*	**3,431**	2,444
Restricted cash	*12*	**52**	552
Cash		**76,627**	80,376
Total current assets		**90,323**	**90,010**
Total assets		**587,245**	**712,089**

Liabilities and equity	*Note*	2021 restated (Note 34)	2020
Liabilities			
Non-current liabilities			
Interest-bearing loan	*14*	**334**	474
Mortgage loans	*14*	**48,662**	152,737
Lease liabilities	*14*	**106,351**	121,813
Tenant deposits		**1,172**	1,490
Derivative financial instruments	*9*	**366**	3,091
Deferred tax liabilities	*23*	**4,941**	13,212
Total non-current liabilities		**161,826**	**292,817**
Current liabilities			
Interest-bearing loan	*14*	**24**	36
Mortgage loans	*14*	**44,046**	4,752
Lease liabilities	*14*	**7,700**	8,474
Lease equalization loans	*15*	**-**	371
Tenant deposits		**277**	1,009
Derivative financial instruments	*9*	**853**	2,382
Exchangeable securities	*16*	**9,015**	9,945
Trade and other payables	*17*	**11,248**	11,052
Income tax payable	*23*	**2,167**	4,069
Deferred income		**4,004**	521
Total current liabilities		**79,334**	**42,611**
Total liabilities		**241,160**	**335,428**
Equity			
Trust units	*18*	**288,752**	286,975
Retained earnings		**46,979**	53,350
Accumulated other comprehensive income	*25*	**9,055**	34,913
Total unitholders' equity		**344,786**	**375,238**
Non-controlling interest	*19*	**1,299**	1,423
Total equity		**346,085**	**376,661**
Total liabilities and equity		**587,245**	**712,089**

See accompanying notes to restated consolidated financial statements

On behalf of the Board of Trustees of Inovalis Real Estate Investment Trust:

Jean-Daniel Cohen
Chairman and Trustee

Robert Waxman
Audit Chair and Trustee

Inovalis Real Estate Investment Trust
Consolidated Statements of Earnings
For the years ended December 31,
(All dollar amounts in thousands of Canadian dollars, except for per unit amounts)

	Note	2021	2020
Rental revenue	*20*	**28 194**	28 858
Property operating cost recoveries	*20*	**5 974**	6 850
Property operating costs	*21*	**(9 585)**	(8 889)
Other revenues		**290**	59
Other property operating expenses		**(682)**	(278)
Net rental income		**24 191**	**26 600**
General and administrative expenses	*21*	**(8 392)**	(7 864)
Eviction and disposal costs	*21*	**(3 348)**	-
Foreign exchange (loss) gain		**(1 129)**	2 460
Loss on disposal of investment properties	*7*	**(3 988)**	-
Gain on acquisition of control of joint venture	*8*	**-**	207
Loss on sale of joint ventures	*8*	**(254)**	-
Share of net income (loss) from joint ventures	*8*	**(2 062)**	(6 524)
Operating earnings		**5 018**	**14 879**
Net change in fair value of Investment properties	*7*	**29 419**	(7 431)
Net change in fair value of Financial derivatives		**2 215**	1 166
Net change in fair value of Exchangeable securities	*16*	**(735)**	1 154
Net change in fair value of Promissory notes	*13*	**-**	12 730
Finance income	*22*	**3 702**	6 620
Finance costs	*22*	**(7 492)**	(9 972)
Distributions on Exchangeable securities	*16*	**(1 238)**	(825)
Income before income taxes		**30 889**	**18 321**
Current income tax expense	*23*	**(8 088)**	(4 098)
Deferred income tax recovery	*23*	**7 498**	3 990
Total income tax expense		**(590)**	**(108)**
Net income		**30 299**	**18 213**
Net income attributable to:			
Non-controlling interest		**(34)**	17
Unitholders of the Trust		**30 333**	18 196
		30 299	**18 213**

See accompanying notes to restated consolidated financial statements

Inovalis Real Estate Investment Trust
Consolidated Statements of Comprehensive Income
For the years ended December 31,
(All dollar amounts in thousands of Canadian dollars)

	Note	**2021**	**2020**
Net income for the year		**30 299**	18 213
Other comprehensive (loss) income			
Items that may be reclassified subsequently to income:			
Net gains (losses) on derivatives designated as a hedge of the net investment in a foreign entity		**2 472**	(3 139)
Change in cumulative translation adjustment account	25	**(28 529)**	23 588
Other comprehensive (loss) income		**(26 057)**	**20 449**
Total comprehensive income		**4 242**	**38 662**
Total comprehensive income attributable to:			
Non-controlling interest	19	**(233)**	144
Unitholders of the Trust		**4 475**	38 518
Total comprehensive income		**4 242**	**38 662**

See accompanying notes to restated consolidated financial statements

Inovalis Real Estate Investment Trust
Consolidated Statements of Changes in Equity
For the years ended December 31,
(All dollar amounts in thousands of Canadian dollars, unless otherwise stated)

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings	Accumulated other comprehensive income	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2019		28 742 306	259 526	57 827	14 591	331 944	1 200	333 144
Issuance of units		4 501 938	35 110	-	-	35 110	-	35 110
Repurchase of Trust Units	*18*	(989 275)	(8 874)	1 374	-	(7 500)	-	(7 500)
Distributions earned by or declared to Unitholders	*24*	-	-	(24 047)	-	(24 047)	-	(24 047)
Distributions under the Trust's reinvestment plan	*24*	145 616	1 213	-	-	1 213	-	1 213
Capital increase from non-controlling interest		-	-	-	-	-	79	79
		3 658 279	27 449	(22 673)	-	4 776	79	4 855
Net income for the year		-	-	18 196	-	18 196	17	18 213
Other comprehensive income		-	-	-	20 322	20 322	127	20 449
Comprehensive income		-	-	18 196	20 322	38 518	144	38 662
As at December 31, 2020		**32 400 585**	**286 975**	**53 350**	**34 913**	**375 238**	**1 423**	**376 661**
Issuance of units from exchangeable securities conversion	*16*	**175 627**	**1 665**	**-**	**-**	**1 665**	-	**1 665**
Distributions earned by or declared to Unitholders	*24*	**-**	**-**	**(36 704)**	**-**	**(36 704)**	-	**(36 704)**
Issuance of units for payment of Trustee Fees		**11 597**	**112**	-	-	**112**	-	**112**
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	**109**	**109**
		187 224	**1 777**	**(36 704)**	**-**	**(34 927)**	**109**	**(34 818)**
Net income for the year		**-**	**-**	**30 333**	**-**	**30 333**	**(34)**	**30 299**
Other comprehensive loss		**-**	**-**	**-**	**(25 858)**	**(25 858)**	**(199)**	**(26 057)**
Comprehensive income (loss)		**-**	**-**	**30 333**	**(25 858)**	**4 475**	**(233)**	**4 242**
As at December 31, 2021		**32 587 809**	**288 752**	**46 979**	**9 055**	**344 786**	**1 299**	**346 085**

See accompanying notes to restated consolidated financial statements

Inovalis Real Estate Investment Trust
Consolidated Statements of Cash Flows
For years ended December 31,
(All dollar amounts in thousands of Canadian dollars)

	Note	2021	2020
Operating activities			
Income before income taxes		**30 889**	18 321
Interest received		**2 631**	5 910
Interest paid		**(7 492)**	(9 972)
Income tax paid	*23*	**(9 898)**	(29)
Distributions in respect of exchangeable securities paid in cash	*16*	**(1 254)**	(810)
Adjustments for non-cash items and other reconciling items	*32*	**(22 507)**	2 888
		(7 631)	**16 308**
Working capital adjustments	*32*	**(284)**	(18 973)
Net cash flows related to operating activities		**(7 915)**	**(2 665)**
Investing activities			
Additions to investment properties and capitalized letting fees	*7*	**(958)**	(2 171)
Disposition of investment property - Jeuneurs property	*7*	**103 173**	-
Acquisition of invesment property - Walpur property	*6*	**-**	(4 906)
Investments in joint ventures	*8*	**(941)**	(1 627)
Proceeds from sale of joint ventures	*8*	**965**	-
Distributions from joint ventures	*8*	**1 715**	12 430
Loan repayments received from joint ventures	*8*	**2 160**	2 881
Payment received for acquisition loan		**-**	26 261
Net change in restricted cash	*12*	**500**	-
Decrease in other financial assets		**-**	128
Net cash flows related to investing activities		**106 614**	**32 996**
Financing activities			
Distributions to unitholders	*24*	**(36 691)**	(22 585)
Repayment of promissory notes	*13*	**-**	(55)
Repurchase of Trust Units	*18*	**-**	(7 500)
Repayment of mortgage loans	*14*	**(53 751)**	(3 170)
Repayment of lease liabilities	*14*	**(6 593)**	(1 978)
Repayment of interest bearing loan		**(152)**	(131)
Repayment of lease equalization loans		**(354)**	(1 756)
Net cash flows related to financing activities		**(97 541)**	**(37 175)**
Net increase (decrease) in cash		**1 158**	**(6 844)**
Effects of foreign exchange adjustments on cash		**(4 907)**	3 811
Cash at the beginning of the year		**80 376**	**83 409**
Cash at the end of the year		**76 627**	**80 376**

See accompanying notes to restated consolidated financial statements

Note 1 – Organization

The Inovalis Real Estate Investment Trust (the "Trust") is an open-ended real estate investment trust created pursuant to a Declaration of Trust dated February 8, 2013, under the laws of the Province of Ontario, Canada. These consolidated financial statements include the accounts of the Trust and its subsidiaries (together the "REIT"). The REIT's investment property portfolio, owned directly or through joint arrangements, is comprised of office rental properties located in France and Germany.

The REIT's head and registered office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7. The REIT's units are listed on the Toronto Stock Exchange ("TSX") under the symbol INO.UN.TO.

The REIT's amended and restated consolidated financial statements for the year ended December 31, 2021, were authorized for issuance by the Board of Trustees on August 15, 2022.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France and Germany, to manage certain functions. Refer to Note 3 – Significant accounting policies, and to Note 28 – Transactions with related parties, for information regarding the services provided by Inovalis SA to the REIT.

Inovalis SA is considered as a related party of the REIT as they share the same management. The founder and Chairman of Inovalis S.A. is the President of the REIT, the Chief Executive Officer ("CEO") of Inovalis S.A. is also CEO of the REIT, and the Deputy Chief Executive Officer of Inovalis S.A. is Chief Investment Officer ("CIO") and Chief Financial Officer ("CFO") of the REIT.

Note 2 – Basis of presentation and statement of compliance

Statement of compliance

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

This is the first set of the REIT's annual financial statements in which IFRS amendments described in Note 3 have been applied.

Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated balance sheets which are measured at fair value:

- Investment properties (including right-of-use assets);
- Exchangeable securities;
- Derivative financial instruments.

Certain comparative figures have been reclassified in order to conform with presentation adopted in the current year including the following:

- *Gain/loss on fair value of investment property* has been reclassified as part of operating earnings within the Consolidated Statement of Comprehensive Income to more appropriately reflect the nature of the expense.
- Various *general and administrative expenses* have been reclassified within Note 17 to more appropriately reflect the nature of the expense.

Note 3 – Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

New accounting standards adopted

The REIT applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021:

i) **Amendments to IFRS 16, *Leases* ("IFRS 16") – *COVID-19 Related Rent Concessions* beyond June 30, 2021:**

On May 28, 2020, the IASB amended IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. These amendments had no impact on the consolidated financial statements of the REIT. The REIT intends to use the practical expedients in future periods if they become applicable.

ii) **Amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39")** – **Interbank Offered Rate (IBOR) Reform – Phase 2:**

The IASB published Phase 2 of its amendments to IFRS 7, IFRS 9, and IAS 39 in August 2020 to address issues that might affect financial performance during the reform of an interest rate benchmark. These amendments including the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the REIT. The REIT intends to use the practical expedients in future periods if they become applicable.

iii) **IAS 7 Statement of Cash Flows - Demand Deposits with Restrictions on Use arising from a Contract with a Third Party:**

In April 2022, the IASB finalized an agenda decision relating to IAS 7. The agenda decision clarified the presentation of demand deposits in an entity's statement of financial position and statement of cash flows. The IFRS Interpretations Committee noted that in the situation in which an entity has limits and restrictions imposed by third parties on its demand deposits, as long as the entity has immediate access to the demand deposits, the amounts should be classified as cash rather than restricted cash. This amendment had no impact on the consolidated financial statements of the REIT, as all prior classifications of demand deposits were in line with the updated agenda decision.

The REIT has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Please see Note 5 for accounting standards issued but not yet adopted by the REIT.

Note 3 – Significant accounting policies (Cont'd)

Basis of consolidation

The consolidated financial statements include the financial statements of the Trust and all its subsidiaries. The Trust controls an entity if it has power over the entity, if it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have the same reporting date as the Trust. Subsidiaries are consolidated from the date of acquisition, being the date on which the Trust obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions are eliminated on consolidation.

Details of the REIT's subsidiaries as of December 31, are as follows:

Name of subsidiary	Principal Activity	Name of the assets	Country of Incorporation and Residence	Proportion of Ownership Interest and Voting Power Held - 2021	Proportion of Ownership Interest and Voting Power Held - 2020
Cancorp Europe SA ("CCEU")	Holding Company for European assets		Luxembourg	**88.15%**	**85.92%**
Cancorp Cologne SARL	Investment and holding Company		Luxembourg	**100% held by CCEU**	**100% held by CCEU**
Walpur Four SAS ("Walpur")	Investment property holding	Bad Homburg Property	France	**100% held by CCEU**	**100% held by CCEU**
INOPCI 1	Holding Company Investment		France	**100% held by CCEU**	**100% held by CCEU**
SCI Baldi	Investment property holding	Baldi Property	France	**100% held by INOPCI 1**	**100% held by INOPCI 1**
SCI Sabliere	Investment property holding	Sabliere Property	France	**100% held by INOPCI 1**	**100% held by INOPCI 1**
SCI Jeuneurs	Investment property holding	Jeuneurs Property	France	**100% held by INOPCI 1**	**100% held by INOPCI 1**
SCI Veronese	Investment property holding	Courbevoie Property	France	**100% held by INOPCI 1**	**100% held by INOPCI 1**
SCI Metropolitain	Investment property holding	Metropolitain Property	France	**99% held by INOPCI 1**	**99% held by INOPCI 1**
Arcueil SI General Partner SARL	General partner for Arcueil SCS		Luxembourg	**100% held by CCEU**	**100% held by CCEU**
Arcueil SCS ("Arcueil")	Investment and holding Company		Luxembourg	**100% held by CCEU**	**100% held by CCEU**
Metropolitan LLC	Investment property holding		USA	**100%**	**100%**
SCI Lenine Arcueil	Investment property holding	Arcueil Property	France	**99.90% held by INOPCI 1**	**99.90% held by INOPCI 1**
Cancorp Trio 1	Investment property holding	Trio Properties	Germany	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Trio 2	Investment property holding	Trio Properties	Germany	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Trio 3	Investment property holding	Trio Properties	Germany	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Cologne 2 SARL	Investment and holding Company		Germany	**100% held by CCEU**	**100% held by CCEU**

Also, as further explained in Note 3 under the caption "Exchangeable securities", the 11.85% interest held by Inovalis SA in CCEU and its subsidiaries is presented as a liability rather than a non-controlling interest (refer to Note 16 for details regarding this interest).

Business combinations

When determining whether a transaction should be accounted for as a business combination or as an asset acquisition, the REIT has elected to use the concentration test specified in IFRS 3, *Business Combinations* ("IFRS 3"). Under the concentration test, if substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or group of similar identifiable assets, the REIT accounts for the transaction as an asset acquisition rather than a business combination.

Note 3 – Significant accounting policies (Cont'd)

Business combinations (Cont'd)

Business combinations are accounted for using the acquisition method. Accordingly, the consideration transferred for the acquisition of a business is the fair value of the assets transferred, and any debt and trust units issued by the REIT on the date control of the acquired entity is obtained. Acquisition-related costs, other than those associated with the issue of debt or trust units, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally measured at their fair values at the acquisition date. The REIT measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the identifiable assets acquired and liabilities assumed, generally at fair value, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The REIT elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Asset acquisitions

Upon the acquisition of an asset or a group of assets and liabilities that does not constitute a business, the REIT identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The REIT first measures all assets and liabilities that are required to be measured at other than cost at the amount specified in the applicable IFRS Standard. The REIT deducts from the transaction price of the group, the amounts allocated to the assets and liabilities initially measured at an amount other than cost, and allocates the residual transaction price to the remaining identifiable assets and liabilities based on their relative fair values at the date of the acquisition.

When the acquisition of an asset or a group of assets and liabilities is achieved in stages, the REIT's previously held interests in the acquired assets and liabilities are remeasured to their acquisition-date fair values on the date that control is obtained. Any gain or loss on the previously held interest is recognized in profit or loss.

Foreign currency translation

(a) Functional and presentation currencies

Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) Functional and presentation currencies

The functional currency of the REIT's subsidiaries and joint ventures is the euro, whereas the functional currency of the Trust, as well as its presentation currency, is the Canadian dollar.

(c) Accounting for transactions and balances in foreign currencies

Foreign currency transactions are translated into the relevant functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions or valuation where items are reassessed. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the consolidated statement of earnings under "Foreign exchange gain (loss)".

Note 3 – Significant accounting policies (Cont'd)

Foreign currency translation (Cont'd)

(d) Foreign operations

The results and financial position of all the entities that have a functional currency different from the presentation currency of the REIT are translated into the presentation currency upon consolidation as follows:

i. Assets and liabilities for individual balance sheet are translated at the closing rate at the date;

ii. Items presented in the consolidated statement of earnings, consolidated statement of comprehensive income and consolidated statement of cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income, expenses and cash flows are translated at the rate on the dates of the transactions); and

iii. All resulting exchange differences are recognized in other comprehensive income and recognized as a cumulative translation adjustment account in "Accumulated other comprehensive income" in equity.

When a foreign operation is partially or entirely disposed of, related exchange differences that were recorded in equity are recognized in the consolidated statement of earnings as part of the gain or loss on the sale.

Investment properties

An investment property is defined as property held to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business or use for administrative purposes. Property held under a lease is classified as an investment property when the definition of an investment property is met.

Investment property other than property acquired in a business combination is measured initially at cost including transaction costs. Transaction costs include transfer costs, taxes, professional fees for legal services and broker acquisition fees to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, capital expenditures are capitalized as part of the investment properties which are then carried at fair value at each reporting date. Under the fair value model, investment properties are recorded at fair value, determined based on available market evidence at each reporting date. Gains or losses arising from changes in the fair values are recognized in the consolidated statement of earnings in the reporting period in which they arise. For the purpose of these consolidated financial statements, in order to avoid "double counting", the assessed fair value may be reduced by the carrying amount of any accrued income resulting from the straight lining of rental income.

The fair value of investment properties is determined by management with the assistance of independent appraisers who have the appropriate qualifications and relevant experience in the valuation of properties. Fair values of investment properties are determined by using recognized appraisal valuation techniques and the principles of IFRS 13, *Fair value measurement* ("IFRS 13"). Refer to Note 4 – Critical accounting judgments and estimates, for a more detailed description of the valuation techniques used.

Note 3 – Significant accounting policies (Cont'd)

Joint arrangements

A joint arrangement is an arrangement in which the REIT and other parties undertake an economic activity that is subject to joint control. Joint control applies to situations where decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is classified either as a joint operation or a joint venture. A joint operation is an arrangement whereby joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement whereas a joint venture is an arrangement whereby parties to the joint ventures only have rights to the net assets of the arrangement. The REIT's investments in joint arrangements qualify as joint ventures.

A joint venture is initially recognized at cost plus directly related acquisition costs. However, any excess of the REIT's share of the fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the REIT's share of the joint venture's net profit or loss in the reporting period in which the investment is acquired.

Investments in joint ventures are subsequently accounted for using the equity method. The carrying amount includes investment in the joint venture using the equity method together with any long-term loan receivable that, in substance, form part of the REIT's net investment in the joint venture. The carrying amount of investment in joint ventures is increased or decreased to recognize the REIT's share of the net profit or loss and other comprehensive income (loss) of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the REIT. Unrealized gains and losses on transactions between the REIT and its joint ventures are eliminated to the extent of the REIT's interest in the joint venture.

The requirements of IAS 36, *Impairment of Assets* ("IAS 36") are applied to determine whether it is necessary to recognize any impairment loss with respect to the REIT's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

As at December 31, the REIT, through its subsidiary CCEU, holds the following joint ventures:

Name of entity	Principal Activity	Property Name	Country of Incorporation and Residence	Porportion of Ownership Interest and Voting Power Held - 2021	Porportion of Ownership Interest and Voting Power Held - 2020
Cancorp Duisburg SARL ("CCD")	Investment property holding	Duisburg Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**
SCI Cancorp Cologne ("Cologne')	Investment property holding	Cologne Property	France	**N/A**	**6% held by CanCorpCologne Sarl**
TFI Cancorp Stuttgart SARL ("Stuttgart")	Investment property holding	Stuttgart Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**
SCI Delizy Diamants ("Delizy")	Investment property holding	Delizy Property	France	**50% held by INOPCI 1**	**50% held by INOPCI 1**
TFI Cancorp Isenburg SARL ("Neu Isenburg")	Investment property holding	Neu Isenburg Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**
TFI Cancorp Kosching SARL ("Kösching")	Investment property holding	Kösching Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**
SCCV Rueil – Le Lumiere	Investment and holding Company	Rueil Property	France	**N/A**	**20% held by CCEU**

Note 3 – Significant accounting policies (Cont’d)

Trust units

The REIT classifies issued and outstanding units as equity in the consolidated balance sheet. The units are puttable financial instruments because of the unitholders’ option to redeem units, whenever, at a redemption price per unit equal to the fair market value of the units at that time. The REIT has classified the units as equity on the basis that the units meet all the criteria in IAS 32, *Financial Instruments: Presentation* (“IAS 32”) for such classification also referred to as the “puttable exemption”, as follows:

i. The units entitle the unitholder to a pro rata share of the REIT’s net assets in the event of the REIT’s liquidation. The REIT’s net assets are those assets that remain after satisfaction of all its liabilities;

ii. The units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;

iii. All Units have identical features;

iv. Apart from the contractual obligation for the REIT to redeem the Units for cash, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the REIT, and are not a contract that will or may be settled in the REIT’s own equity instruments; and

v. The total expected cash flows attributable to the units over their life is based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the REIT over the life of the Units.

In addition to the units meeting all of the above criteria, the REIT has determined it has no other financial instrument or contract that has total cash flows based substantially on the net profit or loss, the change in recognized net assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also determined it has no other financial instruments or contracts that have the effect of substantially restricting or fixing the residual return to the unitholders.

Units are initially recognized at the fair value of the consideration received in return for units issued by the REIT. Any transaction costs arising on the issuance of units are recognized directly as a reduction of the carrying value attributed to the units.

Note 3 – Significant accounting policies (Cont'd)

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognized when the REIT becomes a party to the contractual provisions of the instrument. At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Financial assets are unrecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership. Financial liabilities are unrecognized when the obligation specified in the contract is extinguished, discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Financial assets and liabilities are offset, and the net amount presented in the consolidated balance sheet when, and only when, the REIT has a current legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability.

Classification and subsequent measurement

Trade receivables, loan receivables from joint ventures, and other financial assets

Trade receivables, loan receivables from joint ventures, and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment if applicable.

Derivative financial instruments and hedge of a net investment in foreign operations

Derivative financial instruments are initially recognized at their fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instruments are measured at fair value through profit or loss, except those designated and effective as hedging instruments. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. At the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio). Such hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated. If a cash flow hedge meets the qualifying criteria, those derivatives are carried at fair value and their change in fair value is accounted for in "Other comprehensive income".

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Exchangeable securities

The Exchangeable Securities issued by the Trust's subsidiary, CCEU, consist of convertible interest-bearing debt instruments in euros and exchangeable into a fixed number of units of the REIT at the discretion of the holder, Inovalis SA, and represent the interest not held by the REIT in controlled and consolidated subsidiaries. However, if upon maturity of the debt instruments, the unit price of the REIT's units is less than $10 per unit, the REIT has the right to exchange the Exchangeable Securities for a fixed number of units of the REIT rather than reimburse the debt. This liability is designated at fair value through profit or loss and measured initially and subsequently at fair value with changes in fair value recorded in profit or loss. This designation is related to the existence of non- closely related embedded derivatives. Gains and losses on remeasurement to fair value are included in the consolidated statement of earnings in "Net change in fair value of Exchangeable Securities" as the cumulative change due to credit spread change is negligible. Transaction costs are expensed in the consolidated statement of earnings in the period in which the costs are incurred and the services are received. The exchangeable securities are classified as current except for the portion held in escrow, which is classified as non-current.

The Exchangeable Securities are accompanied by Special Voting Units issued by the Trust, which have no economic interest but provide the Exchangeable Securities holder with the same voting rights in the Trust as a Unit. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities for the purpose of providing voting rights with respect to the Trust to the holders of such securities.

In performing its obligations under the management agreement, Inovalis SA is entitled to receive asset management fees. These asset management fees earned by Inovalis SA, in its role as manager of the REIT, are settled quarterly through the issuance of either exchangeable securities or in cash.

The per-unit value of the Exchangeable Securities issued at the time of the Initial Public Offering, including the overallotment, was based on the offering price. The per-unit value of Exchangeable Securities issued by CCEU in lieu of payment for annual management fees is determined based on average quoted market price of the REIT's units on the Toronto stock exchange for five days (volume weighted average price) immediately preceding the transaction.

Until March 2018, 50% of the Exchangeable Securities issued for payment of management fees were subject to an escrow arrangement that only releases the Exchangeable Securities after the termination of the management agreement or after the internalization of management to the REIT. In the case of internalization, one third of the latter securities will be released immediately and one third will be released on the first and second anniversary, respectively, of internalization. Once the Exchangeable Securities are released from escrow, it is then possible for Inovalis SA to receive one of the REIT's units for each of its Exchangeable Securities.

The amendment to the management agreement signed on April 1, 2018 cancelled the obligation to put 50% of the Exchangeable Securities issued for payment of management fees in escrow.

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Tenant deposits

Tenant deposits are measured initially at fair value and subsequently at amortized cost using the effective interest method. Under the effective interest method, the difference between the fair value and the notional amount of tenant deposits assumed in business combinations is deferred and recognized over time until the repayment date.

Mortgage loans and lease equalization loans

Mortgages loans and lease equalization loans are recognized initially at fair value and subsequently at amortized cost using the effective interest method with transaction cost spread using the same method. These financial liabilities are classified as current liabilities if payment is due within twelve months, which can include accrued interest, or if the REIT does not have an unconditional right to defer settlement for at least twelve months. Otherwise, they are presented as non-current liabilities. Under the effective interest method, the difference between the fair value and the notional amount of these loans assumed in business combinations is deferred and recognized over time until the repayment date.

Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Fair value hierarchy of financial and non-financial items

The fair value hierarchy, which applies to the determination of fair value, requires, first, the use of observable data which reflect market data obtained from independent sources, if such data exist. An asset or liability is classified at the lowest hierarchical level when significant unobservable market data has been used in the fair value measurement.

The REIT uses the following hierarchy for the fair value determination of financial and non-financial items:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access on the valuation date.

- Level 2 - use of a model with inputs (other than quoted prices classified level 1) that are directly or indirectly observable market data.

- Level 3 - use of a model with inputs that are not based on observable market data.

The REIT recognizes transfers between levels of the fair value hierarchy at the date of the event of a change in circumstances that caused the transfer.

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Impairment

The REIT uses the expected credit loss ("ECL") model for calculating impairment on financial assets other than those carried at fair value through profit or loss.

For trade receivables, the REIT applies the simplified approach as permitted by IFRS 9 which requires lifetime expected credit losses ("LTECL") be recognized from initial recognition of receivables. The carrying amount of these assets in the consolidated balance sheet is stated net of any loss allowance.

For its loans to joint ventures, the ECL is based on the credit losses expected to arise over the life of the loan (the LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-months' expected credit losses (the "12mECL"). The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within 12-months after the reporting date.

The REIT has established a policy to perform an assessment each period as to whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above processes, the REIT groups its loans to joint ventures into Stage 1, Stage 2, Stage 3 and Purchased or Originated Credit Impaired ("POCI"), as described below:

- Stage 1: When loans are first recognized, the REIT recognizes an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination and is not credit-impaired, the REIT records an allowance for the LTECL.
- Stage 3: Loans considered credit-impaired (see Note 8.) The REIT records an allowance for the LTECL.

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR.

Interest income is recorded based on the gross carrying amount of instruments in Stages 1 and 2, whereas it is calculated based on the carrying amount net of the ECL for those instruments in Stage 3.

Expected credit losses are measured based on expected cash shortfalls, discounted at the instrument's original effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive and are determined using the Probability of Default ("PD"), i.e. the likelihood of default over a given time horizon, the Exposure at Default ("EAD"), i.e. an estimate of the exposure at a future default date, and the Loss Given Default ("LGD"), i.e. an estimate of the loss arising in the case where a default occurs at a given time.

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Impairment (Cont'd)

The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses. Impairment losses on all financial assets other than loans to joint ventures are recorded in administration expenses in the consolidated statement of earnings of the REIT. Impairment losses on loans to joint ventures are recorded in net income (loss) from joint ventures. Also see Note 8. Impairment losses are grouped with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts in the consolidated statement of financial position.

In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statement of earnings. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset, at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Assets held for sale

Assets held for sale and liabilities directly associated with assets held for sale are presented on a separate line of the balance sheet when (i) the REIT made the decision to sell the assets (ii) the assets are available for immediate sale in its present condition and (iii) the sale is considered highly probable. These assets are measured at the lower of their carrying value and fair value, less the selling costs.

If impairment loss identified for a disposal group exceeds the carrying amount of non-current assets which are in the scope of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* for measurement within that disposal group, such excess is not recognized.

Leases

The REIT assesses at contract inception whether a contract is, or contains, a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the REIT allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessor

The REIT leases out its investment property, including right-of-use assets. The REIT has classified these leases as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The REIT applies IFRS 15, *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Note 3 – Significant accounting policies (Cont'd)

Leases (Cont'd)

As a lessee

The REIT recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets that meet the definition of investment property are presented within investment property. These right-of-use assets are initially measured at cost, and subsequently measured at fair value, in accordance with the REIT's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the REIT's incremental borrowing rate for similar assets. Generally, the REIT uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Revenue recognition

Rental revenue

Management has determined that all leases concluded between the REIT and its tenants are operating leases. Rental revenue from operating leases is recognized on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the REIT is reasonably certain that the tenant will exercise that option. Rental revenue received during the financial year but relating to a subsequent financial year are included in the liabilities under the caption "Deferred Income". Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

Property operating cost recoveries

Leases generally provide for the tenants' payment of maintenance expenses for common elements, property taxes and other operating costs, such payment being recognized as operating cost recoveries in the period when the right to payment vests.

Finance income and costs

Interest income and expenses are recognized as they accrue using the effective interest method.

Distributions

Distributions to unitholders are recognized as a reduction of retained earnings and as a liability in the period in which the distributions are approved by the Board of Trustees. Distributions on exchangeable securities are recognized in the consolidated statements of earnings.

A Distribution Reinvestment Plan ("DRIP") has been put in place starting from the July 2013 distribution, providing unitholders with the opportunity to accumulate additional units plus additional bonus units in an amount equal to three percent of the distributions reinvested by the unitholders. Until further notice, response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020.

Note 3 – Significant accounting policies (Cont'd)

Provisions

Provisions are recognized when the REIT has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the REIT and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present value, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Income taxes and levies

IFRIC 21 – Levies

In accordance with IFRS Interpretations Committee ("IFRIC") 21, *Levies*, the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. This is the obligating event that gives rise to a liability to pay property taxes.

Canadian income taxes

The Trust is considered a mutual fund trust for income tax purposes in Canada. In Canada, mutual fund trusts are not taxed on income earned in a taxation year, to the extent that such income has been distributed to unitholders prior to the end of the taxation year. Pursuant to the REIT's Amended and Restated Declaration of Trust, dated April 10, 2013, the trustees shall make payable to unitholders a distribution of sufficient net realized capital gains and income that the Trust shall not be liable to pay taxes under Part 1 of the Tax Act. As a result, there is generally little possibility of the Trust being taxable on ordinary income under Part 1 of the Income Tax Act. Consequently, the Trust does not recognize Canadian income taxes under IAS 12, *Income Taxes* ("IAS 12") because it has an "in-substance" exemption. The Trust consolidates wholly owned incorporated entities that are subject to tax. The tax disclosures and expense relate to these entities.

Foreign taxes

The REIT's subsidiaries may be subject to income tax and to withholding tax on distribution among its subsidiaries, pursuant to applicable legislation in France, Germany, Luxembourg and the United States. The tax expenses for the year related to non-Canadian taxable subsidiaries comprises current and deferred taxes. Where applicable, the current tax charge is calculated based on the tax laws enacted or substantively enacted at the consolidated balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Where applicable, deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured at the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Note 3 – Significant accounting policies (Cont'd)

Income taxes and levies (Cont'd)

Foreign taxes (Cont'd)

According to the rebuttable presumption exception of IAS 12, the measurement of a deferred tax liability or a deferred tax asset arising on an investment property measured at fair value should reflect the tax consequences of recovering the carrying amount entirely through sales.

Segment reporting

The REIT owns and operates a portfolio of investment properties located in France and Germany. These properties are used to derive revenues from the rental of office space leased to corporate clients in urban areas. Management has determined that this portfolio is a single operating segment.

Note 4 – Critical accounting judgments and estimates

In preparing these consolidated financial statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are presented below:

Business combination

The REIT performs an assessment of each acquisition of investment property to determine whether the acquisition is to be accounted for as an asset acquisition or business combination.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues.

For each transaction, the REIT may elect to apply the concentration test under IFRS 3 to determine if the fair value of gross assets acquired is substantially concentrated in a single asset (or a group of similar assets). If this concentration test is met, the acquisition is qualified as an acquisition of a group of assets and liabilities and not of a business.

If the concentration test is not met, or if the REIT elects not to apply the test, the REIT then performs the detailed assessment whether the transaction is an acquisition of a business or of assets. The purchase of investment properties is classified as a business acquisition on the basis that it involves the acquisition of leasable space (inputs), management processes to lease that space to tenants and leasing arrangements with tenants that generated rental income (processes). In the absence of such criteria, a group of assets is deemed to have been acquired. When the acquisition does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities.

Joint arrangements

The joint arrangements are separately incorporated. The REIT has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the REIT's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11, *Joint Arrangements* ("IFRS 11"). As a consequence, it accounts for its investments using the equity method. The classification of joint arrangements in accordance with IFRS 11 may require the judgment of management, particularly if there are several agreements related to the joint arrangements.

Note 4 – Critical accounting judgments and estimates (Cont’d)

Valuation of investment property

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. Investment properties are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuators in estimating the fair value of investment properties is set out in Note 7.

Current tax liabilities

Current tax liabilities relating to proposed income tax reassessments are accounted for under IFRIC 23 – Uncertainty over Income Tax Treatments. The REIT has accounted for such amounts by recording a liability equal to the amount that best represents the expected payout, using the “most likely” estimation model. The significant assumptions used by management to determine the expected payout include the likelihood that the tax authorities will accept the REIT’s proposed treatment versus the likelihood that the REIT’s proposed treatment will be disallowed.

Deferred tax liabilities

The deferred tax liabilities correspond to the deferred tax expense relating to the origination of temporary differences arising from the unrealized gains on investment properties located in France and Germany.

On June 30, 2021, Management obtained regulatory approval for the conversion of CanCorpEurope into a Specialized Investment Fund (“SIF”). CCEU is an 88.15% owned subsidiary of the REIT that acts as a holding company for the REIT’s European assets. The new legal name of CanCorpEurope after the conversion is CanCorpEurope S.A., SICAV-SIF (“CCEU”). A SIF is a regulated entity in Luxembourg that is not subject to Luxembourg taxes on income or capital gains. Subsequent to the conversion, dividend distributions to CCEU from INOPCI1, a French subsidiary of CCEU, are subject to a 15% withholding tax. CCEU was previously subject to withholding tax of 25% on any distributions from INOPCI1. Deferred income tax liabilities relating to distributions from INOPCI1 are based on the reduced rate of 15% and the assumption of the distribution of 50% of CCEU’s net profits arising from capital gains upon the disposition of its investment properties (which results in an effective rate of 7.5%). The impact of this change was an increase to deferred income tax recovery of €3,436 ($4,941) and a decrease to deferred tax liabilities of an equal amount.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Further details on taxes are disclosed in Note 23.

Going concern assessment

In assessing whether the going concern assumption is appropriate and whether there are material uncertainties that may cast significant doubt about the REIT’s ability to continue as a going concern, management must estimate future cash flows for a period of at least twelve months following the end of the reporting period by considering relevant available information about the future.

In their assessment, management has considered a wide range of factors relating to expected cash inflows such as completion of the Courbevoie sale by the end of 2022, tenant turnover, vacancy rates, and anticipated variations in rental rates. Management has also considered the potential for additional debt financing that the entire REIT portfolio could offer, given the indebtedness to Gross Book Value ratio of 42.0% as at December 31, 2021.

Note 4 – Critical accounting judgments and estimates (Cont'd)

Going concern assessment (Cont'd)

Management has also estimated expected cash outflows as they relate to planned strategic acquisitions and transactions with its joint venture partners, operating and capital expenditures and debt repayment schedules including the likelihood of the REIT obtaining waivers of the debt service covenants from its banks on those mortgage loans with breaches.

Cash flow estimates are subject to uncertainty. Management has concluded that there are no material uncertainties related to events or conditions that may cast significant doubt upon the REIT's ability to continue as a going concern for at least the next twelve months.

Critical accounting estimates

COVID-19

The outbreak of COVID-19, which the World Health Organization has declared to constitute a pandemic, has impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The extent and duration of the impact of COVID-19 on communities and the economy remains unclear. In the preparation of these consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities and the reported amount of earnings for the reporting period using the best available information as of December 31, 2021. Actual results could differ from those estimates. The estimates and assumptions that the REIT considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its investments in joint ventures, the estimate of any expected credit losses on amounts receivable including loans to joint ventures, and determining the fair values of derivative financial instruments.

Note 5 – Future changes in accounting policies

The REIT monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the REIT's operations. Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of the standards and interpretations issued that the REIT reasonably expects to be applicable at a future date. The REIT intends to adopt the following standard when it becomes effective:

Amendments to IAS 1, *Presentation of Financial Statements ("IAS 1")* – Classification of Liabilities as Current or Non-Current:

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability.

The amendments are effective for annual reporting period beginning on or after January 1, 2023, with earlier adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of the amendments.

Amendment to IFRS 9, *Financial Instruments* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Note 5 – Future changes in accounting policies (Cont'd)

Amendment to IFRS 9, *Financial Instruments* – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Cont'd)

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The REIT will apply the amendment to financial liabilities that are modified or exchanged on or after January 1, 2022.

Amendments to IAS 37, *Onerous Contracts* – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Management is currently assessing the impact of the amendments. The REIT will apply the amendment to contracts that are assessed as onerous or loss-making on or after January 1, 2022.

Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Management is currently assessing the impact of the amendments.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are applicable for annual periods beginning on or after January 1, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. Management is currently assessing the impact of the amendments to determine the impact they will have on the REIT's accounting policy disclosures.

Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities from a Single Transaction.

In May 2021, the IASB issued amendments to IAS 12, Income Taxes, which require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Management is currently assessing the impact of the amendments.

Note 6 – Acquisition of investment properties

Transactions that Occurred in 2020

Walpur

On July 27, 2020, the REIT entered into an agreement with its joint venture partner to buy-back the 50% interest held in Walpur by its joint venture partner. The transaction was closed on October 27, 2020 and is in line with the REIT's strategy to buy-back joint ventures in order to simplify ownership structure. The REIT purchased 50% of the shares of Walpur 4 and an interest-bearing loan owned by the seller for total consideration of €7,057 ($10,975), including transaction costs of €1,190 ($1,851).

The REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired is substantially concentrated in the Walpur property, the transaction has been qualified as an acquisition of assets.

The Walpur acquisition includes an unrecognized deferred tax liability of €1,421 ($2,210) in relation to the IAS 12 recognition exemption on acquisition of assets. The REIT has elected to remeasure its previously held interests in the acquired assets and liabilities to their acquisition-date-fair values, resulting in a gain on remeasurement of €135 ($207).

Purchase price allocation	**(in 000's of €)**	**(in 000's of $)**
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment property	22 542	35 057
Loan receivable from Walpur 4	2 788	4 336
Other assets (1)	2 600	4 044
Total assets acquired	**27 930**	**43 437**
Former shareholder's loan payable	(2 837)	(4 412)
Mortgage loan payable	(11 071)	(17 218)
Other liabilities	(289)	(449)
Total liabilities assumed	**(14 197)**	**(22 079)**
Net asset acquired	**13 733**	**21 358**
Consideration transferred by the REIT for the acquisition consists of the following :		
Acquisition costs	1 190	1 851
Cash transferred for equity interest	3 079	4 788
Cash transferred for loan receivable from Walpur 4	2 788	4 336
Total consideration transferred	**7 057**	**10 975**
Equity method investment derecognized by the REIT		
Equity method investment in Walpur 4	**6 541**	**10 176**
Gain on purchase of Walpur 4:		
Gain on purchase of Walpur 4	**135**	**207**

(1) Including cash of €2,504 ($3,894)

Note 7 – Investment properties

Reconciliations of the carrying amounts of investment properties for the years ended December 31, 2021 and 2020 are as follow:

	2021	2020
Balance, beginning of year	**541 218**	**478 700**
Capex	**1 403**	1 968
Acquisition of Bad Homburg investment property held by Walpur 4	**-**	35 057
Disposition of Jeuneurs investment property held by Jeuneurs SCI	**(103 173)**	-
Change in capitalized letting fees	**(445)**	203
Rent free periods	**(7)**	241
Net change in fair value of investment properties	**29 419**	(7 431)
Foreign currency translation adjustment	**(40 784)**	32 480
Balance, end of year	**427 631**	**541 218**

All of the REIT's investment properties with a fair value of $427,631 (2020 - $541,218) are pledged as security for an amount of $206,759 (2020 - $287,776) in mortgage loans and lease liabilities.

On July 27, 2021, the REIT entered into a sale agreement for the Jeuneurs investment property, which is located downtown Paris, France, in the central business district. The REIT closed the transaction on November 30, 2021, for a total consideration, net of transaction costs, of €68,448 ($99,185). The REIT paid transaction costs for an amount of €2,752 ($3,988) which include €712 ($1,056) in disposition fees paid to Inovalis SA, a related party to the REIT, €1,424 ($2,111) in broker fees paid to Advenis Real Estate Solutions, a subsidiary of Inovalis SA and €586 ($869) in unrecoverable VAT to local tax authorities. See Note 28 for further details. The REIT recognized a loss on sale of investment property of €2,752 ($3,988) relating to the sale.

Valuation of investment properties

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e, an exit price). Expectations about future improvements or modifications to be made to the investment property to reflect its highest and best use may be considered in the valuation.

Investment properties and properties held for sale are carried at fair value, and the REIT uses significant unobservable inputs to estimate fair value of these assets at each reporting date including capitalization rate and stabilized net operating income. See below for further description of inputs used by the REIT in estimating the fair value of its properties. Significant unobservable inputs are classified as Level 3 inputs under IFRS. See Note 26 for further details.

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

Valuation Processes and Techniques

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. The technique used by the REIT is the Direct Capitalization Method ("DC").

On the Direct Capitalization Method, the cash generated during the term of the lease as well as the cash generated at reversion, as estimated based on the normalized net operating income generated by the property, are capitalized on using the same capitalization (discount) rate. The capitalization rates are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets.

Note 7 – Investment properties (Cont’d)

Valuation of investment properties (Cont’d)

Valuation Processes and Techniques (Cont’d)

The group that determines the REIT’s valuation policies and procedures for property valuations comprises the CEO, CIO and CFO. Each year, Inovalis SA appoints an independent real estate valuation expert who is responsible for the valuation of the REIT’s properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

In addition, the CEO and the CIO are responsible for the internal valuation department in charge of the evaluation of the REIT’s properties. Inovalis SA’s internal valuation department comprises a certain number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. External valuations are obtained every six months for the French properties and German properties. For the purpose of preparing the annual consolidated financial statements, all properties are valued by external evaluators as of December 31, 2021.

The adjusted market-value and capitalization rates by country for investment properties owned entirely by the REIT are set out in the following table:

	As at December 31, 2021			As at December 31, 2020		
	France	Germany	Total	France	Germany	Total
Fair value of investment properties for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	**231 896**	**67 699**	**299 595**	281 350	68 700	350 050
Option costs	**(2 221)**	**-**	**(2 221)**	(2 112)	-	(2 112)
Adjusted market value in Euros	**229 675**	**67 699**	**297 374**	**279 238**	**68 700**	**347 938**
Exchange adjustment	**100 603**	**29 654**	**130 257**	155 117	38 163	193 280
Adjusted market value in CAD$	**330 278**	**97 353**	**427 631**	**434 355**	**106 863**	**541 218**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**		Direct Capitalization Method	Direct Capitalization Method	
Capitalization rate	**4.20% to 7.00%**	**5.00% to 5.50%**		4.20% to 7.00%	4.90% to 5.75%	
Terminal capitalization rate	**5.37%**	**5.00%**		5.37%	4.90%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate	**(14 687)**	**(4 501)**	**(19 188)**	(19 896)	(4 954)	(24 850)
a decrease of 25 bps on the cap rate	**16 179**	**4 961**	**21 140**	21 978	5 463	27 441

The adjusted market-value and capitalization rates by country for investment properties owned by the REIT through joint ventures are set out in the following table:

	As at December 31, 2021			As at December 31, 2020		
	France	Germany	Total	France	Germany	Total
Fair value of investment properties owned in joint ventures for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	**26 627**	**170 700**	**197 327**	26 800	195 000	221 800
Option costs	**(427)**	**-**	**(427)**	(633)	-	(633)
Adjusted market value in Euros	**26 200**	**170 700**	**196 900**	**26 167**	**195 000**	**221 167**
Exchange adjustment	**11 476**	**74 770**	**86 246**	14 536	108 323	122 859
Adjusted market value in CAD$ - 100%	**37 676**	**245 470**	**283 146**	**40 703**	**303 323**	**344 026**
Adjusted market value in CAD$ - REIT's portion	**18 838**	**122 735**	**141 573**	**21 160**	**135 030**	**156 190**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**		Direct Capitalization Method	Direct Capitalization Method	
Capitalization rate	**6.00%**	**5.00% to 6.00%**		6.00%	3.80% to 5.75%	
Terminal capitalization rate	**6.00%**	**5.00%**		6.00%	5.43%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate and/or discount rates	**(1 048)**	**(7 726)**	**(8 774)**	(821)	(6 063)	(6 884)
a decrease of 25 bps on the cap rate and/or discount rates	**1 139**	**8 499**	**9 638**	892	6 665	7 557

Right-of-use asset

The REIT leases various investment properties with a carrying amount of $232,351 (2020 – $251,508) under leases which begin to expire in approximately 6 years (2020: 7 years).

Note 8 – Investments in joint ventures

Outlined below is a breakdown of the carrying amounts of the components of the investments in joint ventures:

	CCD	Walpur[3]	Arcueil	Cologne	Stuttgart	Delizy	Neu Isenburg	Kosching	SCCV[4,5]	Total
Balance -December 31, 2019	**26 296**	**9 518**	**14 416**	**955**	**17 531**	**8 479**	**13 505**	**10 082**	**-**	**100 782**
Additional investment for the year	673	-	-	-	-	558	-	-	-	1 231
Acquisition costs	-	-	-	-	-	-	-	-	396	396
Investment from exercise of call option	-	-	-	-	-	-	-	-	14 218	14 218
Distribution from joint ventures	-	-	-	-	-	-	-	-	(12 430)	(12 430)
Share of net (loss) income from investments [1]	(5 817)	(15)	(17)	46	(6)	(1 219)	208	681	-	(6 139)
Impairment of investment in joint ventures	-	-	-	-	-	-	-	-	(385)	(385)
Accrued interest on loan receivable prior to acquisition of control	-	28	-	-	-	-	-	-	-	28
Loan to joint ventures repayments	-	-	-	-	(754)	-	(1 476)	(651)	-	(2 881)
Exchange differences	1 701	645	6	66	1 179	565	897	686	3	5 748
Acquisition of control	-	(10 176)	(14 405)	-	-	-	-	-	-	(24 581)
Balance - December 31, 2020	**22 853**	**-**	**-**	**1 067**	**17 950**	**8 383**	**13 134**	**10 798**	**1 802**	**75 987**
Distributions declared[6]	-	-	-	-	-	-	-	-	**(1 715)**	**(1 715)**
Additional investment for the year	-	-	-	-	-	**941**	-	-	-	**941**
Share of net (loss) income from investments [1]	**3 065**	-	-	-	**(1 975)**	**(1 067)**	**(81)**	**732**	**2**	**676**
Impairment of loans to joint ventures[2]	-	-	-	-	-	**(2 738)**	-	-	-	**(2 738)**
Loan to joint ventures repayments	-	-	-	-	**(759)**	-	**(708)**	**(693)**	-	**(2 160)**
Disposals of interests in joint ventures[7]	-	-	-	**(1 017)**	-	-	-	-	**(5)**	**(1 022)**
Exchange differences	**(1 818)**		-	**(50)**	**(1 274)**	**(631)**	**(968)**	**(817)**	**(84)**	**(5 642)**
Balance - December 31, 2021	**24 100**	**-**	**-**	**-**	**13 942**	**4 888**	**11 377**	**10 020**	**-**	**64 327**

(1) The share of net earnings includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to $3,354 (2020 – $3,955) and are included in "Finance income from joint venture loans" (see note 22).

(2) The REIT recorded an impairment charge of $2,738 to reduce the loan advanced to Delizy to its recoverable amount. Also see "Impairment of loans to joint ventures" section below.

(3) On October 27, 2020, the REIT became the only shareholder of the Walpur joint venture following the repurchase of the 50% equity interest owned by a co-investor, and began consolidating this entity.

(4) On October 2, 2020, the REIT exercised its call option to acquire a 20% equity interest in SCCV that was previously held by Neo Soleil SAS, a company jointly controlled by Inovalis SA. The sale of the SCCV Rueil property resulted in an income tax expense of €2,660 ($4,069) for CanCorp Europe which was not included in the share of net income from investments.

(5) Subsequent to the sale of the commercial property in SCCV, as a result of SCCV not expecting additional profitable operations going forward, the REIT carried out a review of the recoverable amount of its equity method investment in SCCV. The review lead to the recognition of an impairment loss of €252 ($385), which has been recognized in profit or loss in Share of net (loss) income from joint ventures. The REIT's equity method investment in SCCV was impaired to its recoverable amount based on CCEU's value in use of €1,159 ($1,802).

(6) On June 28, 2021, SCCV declared a distribution to pay out the remaining profit from the sale of the Rueil property. On November 18, 2021, €1,000 ($1,433) of the distribution was paid to the REIT.

(7) On June 29, 2021, the REIT sold its entire 6% interest in Cologne. On December 8, 2021, the REIT sold its entire 20% equity interest in SCCV.

The balance of investments in joint ventures as at December 31, 2021 includes loans to joint ventures for an amount of $34,083 which is detailed as follows:

Loans to joint ventures	CCD	Cologne	Stuttgart	Delizy	Neu Isenburg	Kosching	Total
Gross Balance - December 31, 2021	14 946	-	9 957	9 956	1 234	728	36 821
Less: Cumulative ECL	-	-	-	(2 738)	-	-	(2 738)
Net Balance - December 31, 2021	**14 946**	**-**	**9 957**	**7 218**	**1 234**	**728**	**34 083**
Gross Balance - December 31, 2020	16 167	821	11 568	8 383	2 077	1 515	40 531
Less: Cumulative ECL	-	-	-	-	-	-	-
Net Balance - December 31, 2020	**16 167**	**821**	**11 568**	**8 383**	**2 077**	**1 515**	**40 531**

2021

CCD

On April 16, 2021, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to CCD for the months of November 2020 to December 2021. Interest payments for November and December 2020 are due, on or before December 31, 2021. Interest payments for January 2021 to December 2021 are due, on or before December 31, 2022. As at December 31, 2021, interest for the months of November 2020 to March 2021 has been paid by CCD and interest for the months of April 2021 to December 2021 is pending refinancing of the senior debt expected for Q1 2022. No additional interest is being charged on any interest payments deferred. There was no impact on the REIT's income from joint ventures as a result of the deferral.

Note 8 – Investments in joint ventures (Cont'd)

Cologne

On June 29, 2021, the REIT sold its 6% interest in Cologne and the balance of its interest-bearing loan with Cologne to a related party, SC Advenis IMMO Capital, for a total consideration of €655 ($963). The REIT recognized a loss on sale of €73 ($108) relating to the disposition. Included in the loss on sale is €37 ($54) relating to transaction costs directly attributable to the sale. See Note 28 – Transactions with related parties.

Delizy

On July 16, 2021, the REIT entered into an agreement to defer monthly interest on its loan to Delizy such that interest payments for the months of November 2020 to September 2021 were due on October 1, 2021. On December 21, 2021 the REIT amended the interest deferral agreement such that interest payments for the months of November 2020 to March 2022 are now due on March 31, 2022. No additional interest has been charged on any interest payments deferred. The situation will be re-assessed at the end of Q1 2022 and will depend on the REIT's ability to locate tenants for the portion of the building that is currently vacant. There was no impact on the REIT's income from joint ventures as a result of the above deferrals.

SCCV Rueil Le Lumiere

On December 8, 2021, the REIT sold its 20% interest in SCCV and the balance of its dividend receivable from SCCV to a third party, Neo Soleil, for a total consideration of €125 ($179). Included in the consideration was €2 ($2) was paid for the equity interest and €123 ($177) was paid for the dividend receivable. The REIT recognized a loss on sale of €103 ($146) relating to the disposition.

Repayments on loans to joint ventures

During the year ended December 31, 2021, loan repayments of €512 ($759), €478 ($708) and €468 ($693) occurred respectively for Stuttgart, Neu-Isenburg and Kosching.

2020

Walpur

In accordance with the agreement signed between the two investors on July 27, 2020, the co-investor to the Walpur joint venture, holding 50% interest, was bought out of the partnership on October 27, 2020. Previously, the joint venture was accounted for using the equity method, see Note 6 for further discussion of the acquisition.

SCCV Rueil Le Lumiere

In December 2016, the REIT funded an acquisition and development loan for an asset located at 17/19 Rue des Deux Gares 92500 Rueil Malmaison. The financing arrangement was issued to SCCV Rueil Le Lumiere ("SCCV") in relation to development of the commercial property. As of December 31, 2020, the commercial property was developed and sold.

The financing for the property investment had been structured in tandem with a call option agreement dated December 22, 2016 between the REIT and Neo Soleil SAS, an entity controlled by Inovalis SA. On October 2, 2020, the REIT exercised its call option related to acquire a 20% equity interest in SCCV that was previously held by Neo Soleil SAS for a nominal purchase price. The call option was exercised by the REIT to materialize the gain on the sale of the commercial property. The REIT also incurred transaction costs of €252 ($391) relating to the acquisition.

Arcueil

In accordance with the agreement signed between the two investors on December 18, 2019, the partner to the Arcueil joint venture, holding 75% interest, was bought out of the partnership on January 22, 2020.

Note 8 – Investments in joint ventures (Cont'd)

Repayments on loans to joint ventures

During the year ended December 31, 2020, loan repayments of €451 ($754), €922 ($1,476) and €350 ($651) occurred respectively for Stuttgart, Neu-Isenburg and Kosching.

Impairment on loans to joint ventures

Delizy

In December of 2021, the REIT obtained an appraisal of the value of the building held by Delizy. The appraisal reflected a decline in the fair value from prior periods, such that the REIT's loan to Delizy would not be recoverable in its entirety if the building were to be realized at the appraised value. Based on the decline in fair value, together with the interest deferral in Q2 of 2021 and other factors considered, the loan to Delizy has been determined to be Stage 3 credit impaired as at December 31, 2021. As a result, an expected credit loss has been recorded based on the expected cash shortfall which was determined based on the fair value of the property, anticipated disposal costs and other assets and liabilities of the joint venture.

Summarized financial information for joint ventures

The tables below provide the summarized financial information for joint ventures. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures. They have been amended to reflect adjustments made by the REIT when using the equity method, including modifications for differences in accounting policy.

Summarised balance sheet	**CCD**		**Walpur**		**Arcueil**		**Cologne**		**Stuttgart**		**Delizy**		**Neu Isenburg**		**Kosching**		**SCCV**		**Total**	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Current assets																				
Cash and cash equivalents	534	786	-	-	-	-	-	606	2 432	2 625	998	634	1 634	1 994	603	874	-	1 601	6 201	9 120
Other current assets	(127)	232	-	-	-	-	-	462	2 294	752	1 019	980	688	368	256	150	-	18 157	4 130	21 101
Total current assets	**407**	**1 018**	-	-	-	-	-	**1 068**	**4 726**	**3 377**	**2 017**	**1 614**	**2 322**	**2 362**	**859**	**1 024**	-	**19 758**	**10 331**	**30 221**
Non-current assets	**92 143**	**90 468**	-	-	-	-	-	**38 022**	**62 765**	**74 353**	**37 061**	**41 055**	**53 083**	**59 265**	**40 408**	**43 554**	-	-	285 460	346 717
Current liabilities																				
Financial liabilities	2 242	17 786	-	-	-	-	-	835	108	251	2 916	1 291	249	272	271	302	-	-	5 786	20 737
Other current liabilities	695	900	-	-	-	-	-	13 325	2 516	654	812	1 774	784	768	520	491	-	10 742	5 327	28 654
Total current liabilities	**2 937**	**18 686**	-	-	-	-	-	**14 160**	**2 624**	**905**	**3 728**	**3 065**	**1 033**	**1 040**	**791**	**793**	-	**10 742**	**11 113**	**49 391**
Non-current liabilities																				
Financial liabilities	65 123	54 277	-	-	-	-	-	21 080	55 239	61 310	40 010	42 405	35 254	39 621	20 631	23 990	-	-	216 257	242 683
Other non-current liabilities	6 183	5 151	-	-	-	-	-	-	4 140	5 435	-	-	3 373	3 764	2 899	3 001	-	-	16 595	17 351
Total non-current liabilities	**71 306**	**59 428**	-	-	-	-	-	**21 080**	**59 379**	**66 745**	**40 010**	**42 405**	**38 627**	**43 385**	**23 530**	**26 991**	-	-	**232 852**	**260 034**
Net assets	**18 307**	**13 372**	-	-	-	-	-	**3 850**	**5 488**	**10 080**	**(4 660)**	**(2 801)**	**15 745**	**17 202**	**16 946**	**16 794**	-	**9 016**	**51 826**	**67 513**
REIT's share in %	50%	50%	0%	50%	0%	25%	6%	6%	50%	50%	50%	50%	50%	50%	50%	50%	20%	20%		
REIT's share in CAD	9 154	6 686	-	-	-	-	-	231	2 744	5 040	(2 330)	(1 401)	7 873	8 601	8 473	8 397	-	1 802	25 914	29 356
Goodwill [1]	-	-	-	-	-	-	-	-	1 241	1 342	-	-	1 514	1 638	-	-	-	-	2 755	2 980
Acquisition costs	-	-	-	-	-	-	-	15	-	-	-	-	756	818	819	886	-	391	1 575	2 110
Loans to Joint Ventures	14 946	16 167	-	-	-	-	-	821	9 957	11 568	9 956	9 784	1 234	2 077	728	1 515	-	-	36 821	41 932
Impairment charge net of foreign exchange impact	-	-	-	-	-	-	-	-	-	-	(2 738)	-	-	-	-	-	-	(391)	(2 738)	(391)
Carrying amount	**24 100**	**22 853**	-	-	-	-	-	**1 067**	**13 942**	**17 950**	**4 888**	**8 383**	**11 377**	**13 134**	**10 020**	**10 798**	-	**1 802**	**64 327**	**75 987**

(1) The goodwill is the difference between the amount paid for the joint venture at the acquisition date and the proportionate share of the REIT in assets and liabilities of the joint venture at fair value at the acquisition date.

Summarised statement of comprehensive income	**CCD**		**Walpur**		**Arcueil**		**Cologne**		**Stuttgart**		**Delizy**		**Neu Isenburg**		**Kosching**		**SCCV**		**Total**	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Net rental earnings	**3 594**	**3 925**	-	**1 791**	-	-	**774**	**1 674**	**4 583**	**4 359**	**1 355**	**1 591**	**3 142**	**3 168**	**2 558**	**2 624**	**51**	-	16 057	19 132
Administration expenses	(672)	(726)	-	(256)	-	-	(21)	(47)	(769)	(816)	(590)	(551)	(690)	(759)	(481)	(425)	(37)	-	(3 260)	(3 580)
Net change in fair value of investment properties	7 768	(12 823)	-	(612)	-	-	-	765	(7 117)	(1 522)	(833)	(1 380)	(1 808)	(696)	137	(137)	-	-	(1 853)	(16 405)
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134	-	-	-	134
Loss on financial instruments at FVTPL	-	-	-	-	-	-	-	-	-	-	(11)	15	-	-	-	-	-	-	(11)	15
Finance income	-	-	-	-	-	-	690	5	-	-	-	5	-	-	-	-	-	-	690	10
Finance costs	(3 710)	(3 909)	-	(957)	-	-	(1 443)	(1 632)	(1 912)	(2 145)	(2 055)	(2 118)	(1 004)	(1 201)	(514)	(628)	-	-	(10 638)	(12 590)
Loss on disposal of an int.in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current income tax (expense) recovery	(2)	(2)	-	-	-	-	-	-	(13)	93	-	-	66	(17)	(108)	(149)	-	-	(57)	(75)
Deferred income tax recovery (expense)	(847)	1 902	-	5	-	-	-	-	1 278	19	-	-	132	(80)	(128)	(58)	-	-	435	1 788
Profit (loss) for the year	**6 131**	**(11 633)**	-	**(29)**	-	-	-	**765**	**(3 950)**	**(12)**	**(2 134)**	**(2 438)**	**(162)**	**415**	**1 464**	**1 361**	**14**	-	**1 363**	**(11 571)**
REIT's share in %	50%	50%	0%	50%	0%	25%	6%	6%	50%	50%	50%	50%	50%	50%	50%	50%	20%	20%		
Impairment on equity method investment	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	(385)	-	(385)
Share of net earnings (loss) from investments	**3 065**	**(5 817)**	-	**(15)**	-	**(17)**	-	**46**	**(1 975)**	**(6)**	**(1 067)**	**(1 219)**	**(81)**	**208**	**732**	**681**	**2**	-	**676**	**(6 139)**

Note 9 – Derivative financial instruments

A summary of the derivative financial instruments held by the REIT is outlined below:

		Period covered		Conversion from/to			As at December 31, 2021			
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Derivatives designated for hedge accounting										
Foreign exchange	10	1/10/22	10/11/22	1,179	1,800	1.5266	18,000	845	845	-
								845	**845**	**-**
Other derivatives										
Interest rate SWAP	1	1/01/22	1/10/23	Variable	Fixed	0.282%	50,647	(362)	(308)	(54)
Interest rate CAP	2	12/31/21	12/31/24	Variable	Capped	1.000%	62,499	(212)	(95)	(117)
Interest rate SWAP	2	1/01/22	3/21/24	Variable	Fixed	0.230%	75,053	(645)	(450)	(195)
								(1,219)	**(853)**	**(366)**

		Period covered		Conversion from/to			As at December 31, 2020			
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Other derivatives										
Interest rate FLOOR	2	1/01/20	3/21/21	Variable	Floored	0.000%	73,688	15	15	-
								15	**15**	**-**
Derivatives designated for hedge accounting										
Foreign exchange	22	1/11/21	10/11/22	1,190	1,800	1.5143	39,600	(1,585)	(930)	(655)
Other derivatives										
Interest rate SWAP	1	1/01/21	12/23/21	Variable	Fixed	0.394%	17,849	(165)	(165)	-
Interest rate SWAP	1	10/01/20	1/10/23	Variable	Fixed	0.282%	50,647	(825)	(371)	(454)
Interest rate CAP	2	9/30/20	12/31/24	Variable	Capped	1.000%	62,499	(1,264)	(342)	(922)
Interest rate SWAP	2	10/01/20	3/21/24	Variable	Fixed	0.230%	75,053	(1,634)	(574)	(1,060)
								(5,473)	**(2,382)**	**(3,091)**

Note 9 – Derivative financial instruments (Cont'd)

In conjunction with the sale of the Jeuneurs property, the REIT paid a fee to early terminate the interest-rate swap held within the Jeuneurs entity. The fee paid to exit the interest rate swap was €413 ($598) and the net cost has been included in Other finance costs (See Note 22).

During the year-ended December 31, 2021, the REIT did not enter into any additional foreign exchange forward contracts.

Call option

The REIT was granted an option to purchase 20% of the shares of the SCCV entity holding the property for an exercise price equal to the nominal share value. Upon completion of the Rueil property held by SCCV Rueil, on October 2, 2020, the REIT exercised its call option and acquired 20% of the shares (2,200 shares) of SCCV Rueil for a nominal purchase price. The initial cost of the interest in SCCV Rueil is €9,373 ($14,614). Included in this amount is a nominal amount of purchase price paid for the shares, €9,119 ($14,218) which was the value of the call option as at the date of exercise, and €252 ($391) in transaction costs. No gain or loss was recorded on the date of exercise as the call option was recorded at its fair value immediately prior to exercise.

Subsequent to the exercise of the option, the investment in SCCV is accounted for by the REIT using the equity method. On December 8, 2021, the REIT sold its 20% interest in SCCV and the balance of its interest-bearing loan with SCCV to a third party. See Note 8 for details.

The main assumptions used to calculate the level 3 fair value of the option included (i) the level of expected gain on the sale of the property and (ii) the probability of realization of that gain.

	As at December 31, 2019	Fair value changes	Foreign exchange movement	Deferred tax on exercise of call option	Conversion into JV investment of SCCV Rueil	As at December 31, 2020	As at December 31, 2021
Call option related to the acquisition loan	9 124	664	361	4 069	(14 218)	-	-
Call option related to the acquisition loan	**9 124**	**664**	**361**	**4 069**	**(14 218)**	**-**	**-**

Note 10 – Trade receivables and other financial assets

	As at December 31, 2021	As at December 31, 2020
Trade receivables	**2 088**	3 577
Provision for impairment of trade receivables	**(579)**	(60)
Trade receivables	**1 509**	**3 517**
Other receivables	**5 449**	1 731
Other receivables - Inovalis SA	**233**	269
Interest receivable - Joint ventures - current	**2 177**	1 106
Other current financial assets	**7 859**	**3 106**
Total trade receivables and other financial assets	**9 368**	**6 623**

Note 11 – Other current assets

	As at December 31, 2021	As at December 31, 2020
VAT and other sales tax receivables	**3 171**	2 269
Prepaid expenses	**260**	175
Other current assets	**3 431**	**2 444**

Note 12 – Restricted cash

As at December 31, 2021, the restricted cash includes a guarantee deposit of €1,000 ($1,439) in relation to the bank loan agreement in place for the Veronese investment property (refer to Note 15) and €2,486 ($3,577), of which €36 ($52) is in current assets, in relation to capital expenditure reserve for the TRIO property. The Veronese's guarantee deposit should be repaid at the latest at the maturity date of the financing agreement (March 31, 2031).

As at December 31, 2020, the restricted cash includes a guarantee deposit of €1,000 ($1,554) in relation to the bank loan agreement in place for the Veronese investment property (refer to Note 15) and €2,489 ($3,872), of which €355 ($552) in current assets, in relation to capital expenditure reserve for the TRIO property. The Veronese's guarantee deposit should be repaid at the latest at the maturity date of the financing agreement (March 31, 2031).

Note 13 – Promissory Notes

The REIT entered into three private placements in the form of Euro denominated interest bearing promissory notes ("Note 1"," Note 2", "Note 3" and collectively the "Promissory Notes") through its subsidiary CCEU to a single non-Canadian investor (the "Investor") on June 22, 2017, October 4, 2017 and April 19, 2018, respectively. The REIT incurred issuance fees of 3% and may incur financing fees equal to the product of the amount of the monthly distribution payable on a REIT Unit that exceeds a stated amount (the "Distribution Threshold") and the Equivalent REIT Units. CCEU has the option to repay all or any portion of the promissory notes following the first anniversary of the issue date of each promissory note.

On the issue date of Note 1, Note 2 and Note 3, the Trust entered into put and call agreements with the investor. Pursuant to put and call agreements, the investor has the right to require the trust, beginning one year following the first anniversary of the issue date of the promissory note, to purchase all or any portion of the Promissory notes (the "Put Option") for cash consideration equal to the amount of the Promissory Notes being acquired, divided by the applicable conversion rate applicable to the issuance of the Promissory Notes (the "Conversion Rate") and multiplied by the market price of the units of the Trust at the time the Put Option is exercised.

The Trust has the right to require the investor to sell, at any moment, all or any portion of the Promissory Notes (the "Call Option") by delivering Trust units equivalent to the value of Promissory Notes being acquired divided by the applicable Conversion Rate. The Equivalent Trust Units are the number of Units that the trust would have to be issued if required to settle the Put Option or the Call Option for all promissory notes by issuing units.

Promissory Notes were issued as follows:

	Issue Date	Maturity Date	Notional value (in 000's of €)	Interest rate	Isuance Fee (in 000's of €)	Distribution Threshold	Equivalent Trust Units	Conversion Rate
Notes 1	22-Jun-17	31-Dec-20	8 607	8.18%	274	$ 0,06900	1 280 208	6,72280
Notes 2	4-Oct-17	4-Oct-20	7 240	8.13%	218	$ 0,06900	1 091 103	6,65570
Notes 3	19-Apr-18	19-Apr-21	13 584	7.95%	408	$ 0,06875	2 121 008	6,40450
Total Promissory Notes			**29 431**		**900**		**4 492 319**	

On August 11, 2017 and July 31, 2018, the REIT completed partial repayments of Note 1 for €440 ($640) and €86 ($132) respectively.

Note 13 – Promissory Notes (Cont’d)

On June 22, 2020, the REIT obtained an extension to its promissory note issued in June 2017 with REIT Notes Program Ltd (Note 1). As part of the amended agreement, the term of the Promissory Note was extended to the maturity date of December 31, 2020, all other conditions and features as per above have not been modified. In accordance with IFRS 9, the original liability was extinguished, and the REIT recognized a new liability in the second quarter of 2020. On June 25, 2020, the REIT completed a partial repayment of Note 1 for €13 ($20).

On October 4, 2020, the REIT signed an amended agreement to extend its promissory note issued in October 2017 with REIT Notes Program Ltd (Note 2). As part of the amended agreement, the term of the Promissory Note is extended to the maturity date of October 4, 2021. All other conditions and features of the note have not been modified. In accordance with IFRS 9, the original liability was extinguished, and the REIT recognized a new liability in the fourth quarter of 2020. On October 13, 2020 the REIT completed a partial repayment of Note 2 for €22 ($35).

Later in October of 2020, the Investor confirmed its intention to exercise the Put Option under the put/call agreement and redeem the entire outstanding principal amount of the three Promissory Notes. On November 3, 2020 the REIT entirely repaid Note 3 by delivering 2,121,008 units to the Investor. On November 5, 2020 the REIT entirely repaid Note 1 and Note 2 by delivering 1,280,208 and 1,087,911 units, respectively. Earlier in the year, the REIT issued 12,811 units related to a prior year partial repayment of Note 1. The fair value of the Promissory Notes (including the Put Option and Call Option) was €22,727 ($35,034) as at the date of issuance of the Units, which was based on the Unit price as at the dates of issuance. The principal outstanding was $45,370 as at the date of issuance. The promissory notes, including the put/call options, were measured at their fair value immediately prior to exercise, meaning that no gain/loss resulted from the issuance of the Units as consideration to repay the Notes. The total gain on the promissory notes, including the put/call option for the year ended December 31, 2020 was €8,380 ($12,730).

As at December 31, 2021 and December 31, 2020, the REIT has no promissory note balances remaining outstanding to third parties. The notes remaining outstanding represent intercompany promissory notes between CCEU and the REIT.

Note 14 – Mortgage loans, lease liabilities and interest-bearing loan

Mortgage loans, and leases liabilities consist of the following:

			As at December 31, 2021 restated (Note 34)		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Veronese SCI	Euribor 3M + 1.90%	3/21/31	10,544	-	10,544
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	6/23/26	16,017	-	16,017
Mortgage loan - Cancorp Trio	1.56%	3/15/24	43,342	42,894	448
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	10/26/27	6,854	5,768	1,086
Mortgage loan - Walpur Four	1.43%	3/31/22	15,951	-	15,951
Mortgage loans			**92,708**	**48,662**	**44,046**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	7/08/27	57,273	52,832	4,441
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	3/18/31	56,778	53,519	3,259
Lease liabilities			**114,051**	**106,351**	**7,700**
Total mortgage loans and lease liabilities			**206,759**	**155,013**	**51,746**

			As at December 31, 2020		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Jeuneurs SCI	Euribor 3M + 1.75%	10/26/27	42,176	40,751	1,425
Mortgage loan - Veronese SCI	Euribor 3M + 1.90%	3/21/31	12,361	11,399	962
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	6/23/26	18,357	17,320	1,037
Mortgage loan - Cancorp Trio 1	1.56%	3/15/24	47,055	46,569	486
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	10/26/27	20,334	19,492	842
Mortgage loan - Walpur Four	1.43%	3/31/22	17,206	17,206	-
Mortgage loans			**157,489**	**152,737**	**4,752**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	7/08/27	67,067	61,256	5,811
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	3/18/31	63,220	60,557	2,663
Lease liabilities			**130,287**	**121,813**	**8,474**
Total mortgage loans and lease liabilities			**287,776**	**274,550**	**13,226**

The aggregate principal repayments and balances maturing on the mortgage loans in the periods indicated, are as follows:

	As at December 31, 2021 restated (Note 34)		As at December 31, 2020	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**44,046**	**44,838**	4,752	7,225
After 1 year, but not more than 5 years	**46,631**	**47,573**	81,945	91,540
More than 5 years	**2,031**	**2,147**	70,792	70,977
	92,708	**94,558**	**157,489**	**169,742**
Less : future interest costs	**-**	**(1,850)**	-	(12,253)
Total mortgage loans	**92,708**	**92,708**	**157,489**	**157,489**

Note 14 – Mortgage loans, lease liabilities and interest-bearing loan (Cont'd)

The aggregate principal repayments and balances maturing on the lease liabilities in the year indicated, are as follows:

	As at December 31, 2021		As at December 31, 2020	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**7,700**	**9,646**	8,474	12,520
After 1 year, but not more than 5 years	**25,792**	**32,678**	28,288	36,245
More than 5 years	**80,559**	**84,767**	93,525	97,853
	114,051	**127,091**	**130,287**	**146,618**
Less : future interest costs	-	**(13,040)**	-	(16,331)
Total lease liabilities	**114,051**	**114,051**	**130,287**	**130,287**

2021

Loan covenant breaches

As at December 31, 2021, the REIT is in breach of certain covenants on two of its mortgage loans with third-party lenders, as follows:

Sabliere SCI

The REIT is in breach of the debt service coverage ratio ("DSCR") covenant on the mortgage loan within Sabliere SCI as at December 31, 2021. The requirement to maintain a DSCR greater than 120% is in breach as a result of planned development and related refinancing of such developments within the entity. The entire carrying amount of the loan has been classified as a current liability due to the lender's right to repayment upon breach of the covenant. The REIT is in communication with the lender to obtain a waiver and remediate the breach.

Veronese SCI

The REIT is in breach of the DSCR covenant on the mortgage loan within Veronese SCI as at December 31, 2021. The requirement to maintain a DSCR greater than 110% is in breach as a result of planned tenant vacancies within this entity required as a condition to execute to the promise to sell signed in the property within the entity. The entire carrying amount of the loan has been classified as a current liability due to the lender's right to repayment upon breach of the covenant. The REIT is in communication with the lender to obtain a waiver and remediate the breach.

Loan prepayment - SCI Jeuneurs

In conjunction with the sale of the Jeuneurs Property (see Note 7), the REIT paid a fee in order to early terminate the loan payable held within the Jeuneurs entity, for which the Jeuneurs Property was initially used as collateral. The fee paid was €134 ($195) and has been included in "Other finance costs" (see note 22).

Interest-bearing loan

The interest-bearing loan of €249 ($358) at December 31, 2021 (€355 ($510) at December 31, 2020), is repayable to Inovalis Luxembourg which is a subsidiary of Inovalis SA. This loan has a 6.5 year term and bears a market practice interest at a fixed rate of 6.5%.

2020

Loan concessions

Given the unprecedented circumstances surrounding the COVID-19 pandemic, there is inherently more economic uncertainty and expectations as compared to prior periods. During the year end December 31, 2021, the REIT did not accept any deferral plans. During the year end December 31, 2020, the REIT accepted deferral plans whenever proposed by banks/financial lessors, further to government incentives. The plan unfolds as follows:

Note 14 – Mortgage loans, lease liabilities and interest-bearing loan (Cont'd)

Sabliere SCI

The REIT accepted to defer the interest and principal payments due in the three-month periods ending June 30 and September 30, 2020 in respect of its outstanding mortgage liability due 2025 by six months from their due dates. The payment resumed on December 23, 2020 and the term of the loan has been extended by six months.

Courbevoie SCI

The REIT accepted to defer the interest and principal payments due in three-month periods ending June 30 and September 30, 2020 in respect of its outstanding mortgage loan due 2031. The interest payment due on these quarters were paid on December 21, 2020 and amortization was reduced by the interest paid as to not increase future quarterly payments. The principal unpaid will be settled at the maturity date.

Baldi SCI

The REIT elected to defer the interest and principal payments due in the three-month periods ending September 30, 2020 in respect of its outstanding mortgage loan due 2027. The interest payment was paid on December 31, 2020 and amortization was reduced by the interest paid as to not increase future quarterly payments. The principal unpaid will be settled at the maturity date.

These loan modifications (Courbevoie SCI, Sabliere SCI and Baldi SCI) were non-substantial, and as a result, the REIT recognized a combined gain of $40 in the consolidated statement of earnings for the year ended December 31, 2020.

Metropolitain SCI

The REIT elected to defer the quarterly payments due on June 18 and Sept 18, 2020 under this lease liability. Payment resumed on December 18, 2020. Starting March 18, 2021 eight quarterly payments will be proportionally increased by the total amount of $1,600 for the two deferred quarterly payments. In addition to these proportional increases, interest payments for the eight quarters starting March 18, 2021 will also be increased to account for the time value of the deferred payments. In accordance with the amendment to IFRS 16, the REIT took the exemption for lease modifications provided and the payment deferrals for Metropolitain SCI were not treated as modifications to the leases. The approach taken by the REIT was to continue to account for the lease liability and right-of-use asset using the rights and obligations of the existing lease, unchanged.

Arcueil

On October 23, 2020 the REIT entered into an agreement to defer the quarterly payment due on April 8, 2020 and July 8, 2020 under this lease liability to April 8, 2027. Regular payments under the lease obligation resumed starting October 8, 2020. An amount of $255 representing a one-time payment of 1% per annum for the remaining duration of the lease was incurred and reported as a payable at December 31, 2020. In accordance with the amendment to IFRS 16, the REIT took the exemption for lease modifications provided and the payment deferrals for Arcueil were not treated as modifications to the lease. The approach taken by the REIT was to continue to account for the lease liability and right-of-use asset using the rights and obligations of the existing lease, unchanged.

Note 15 – Lease equalization loans

			As at December 31, 2021			
Entity	**Interest rate**	**Maturity**	**Total** (in 000's of €)	**Total** (in 000's of $)	**Non current** (in 000's of $)	**Current** (in 000's of $)
Lease equalization loan - Baldi SCI	5%	31/12/2021	-	-	-	-
Total lease equalization loans			-	-	-	-

			As at December 31, 2020			
Entity	**Interest rate**	**Maturity**	**Total** (in 000's of €)	**Total** (in 000's of $)	**Non current** (in 000's of $)	**Current** (in 000's of $)
Lease equalization loan - Baldi SCI	5%	31/12/2021	239	371	-	371
Total lease equalization loans			**239**	**371**	**-**	**371**

Inovalis SA entered into lease equalization agreements with the REIT, which have the effect of equalizing the rent payments providing the REIT with stable and predictable monthly revenue over the term of certain leases in the BBA and Baldi properties.

Under the lease equalization agreements, Inovalis SA were required to make payments to the REIT on a quarterly basis during the period commencing on April 16, 2013, and ending on September 30, 2015, corresponding to the difference between the actual lease payments over such period and the average lease payments over the term of the lease, which is $4,596 in the aggregate.

Following the sale of BBA, the lease equalization loan has been repaid on March 9, 2020.

For Baldi SCI, Inovalis SA is also required to make payments on a quarterly basis during the period commencing on January 1, 2015, and ending on December 31, 2016, corresponding to the difference between the actual lease payments over such period and the average lease payments over the term of the lease, which is $1,397 in the aggregate. Baldi SCI will be required to make payments to Inovalis SA, on a quarterly basis during the period commencing on January 1, 2017, and ending on December 31, 2021, corresponding to the difference between actual lease payments over such period and the average lease payments over the term of the lease, which is $1,390 in the aggregate, plus 5.00% per annum of such amount which shall begin to accrue on any amount when such amount is advanced by Inovalis SA.

Payments for each of the next five years of lease equalization loans are as follows:

	As at December 31, 2021		As at December 31, 2020	
Carrying value and minimum lease payments	**Carrying value**	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	-	-	371	382
	-	**-**	**371**	**382**
Less : future interest costs	-	-	-	(11)
Total lease equalization loans	**-**	**-**	**371**	**371**

Note 16 – Exchangeable securities

Exchangeable securities issued and outstanding	Exchangeable securities	
	Number of Exchangeable securities	Carrying amount of Exchangeable securities
Balance - December 31, 2019	**897 082**	**9 562**
Asset management fees paid in exchangeable securities	216 581	1 537
Net change in fair value of exchangeable securities	-	(1 154)
Balance - December 31, 2020	**1 113 663**	**9 945**
Conversion of exchangeable securities into units of the REIT	**(175 627)**	**(1 665)**
Net change in fair value of exchangeable securities	**-**	**735**
Balance - December 31, 2021	**938 036**	**9 015**

Exchangeable securities in escrow	As at December 31, 2021		
	Number in escrow - presented as non-current	Number not in escrow - presented as current	Total number of Exchangeable securities
Number of exchangeable securities - outstanding - beginning of year	-	1 113 663	1 113 663
Securities converted into units		(175 627)	(175 627)
Number of exchangeable securities - outstanding - end of year	**-**	**938 036**	**938 036**
Classification of liabilities for exchangeable securities ($)	-	9 015	9 015

Exchangeable securities in escrow	As at December 31, 2020		
	Number in escrow - presented as non-current	Number not in escrow - presented as current	Total number of Exchangeable securities
Number of exchangeable securities - outstanding - beginning of year	252 861	644 221	897 082
Partial release of exchangeable securities in escrow	(252 861)	252 861	-
Securities issued in lieu of asset management fees	-	216 581	216 581
Number of exchangeable securities - outstanding - end of year	**-**	**1 113 663**	**1 113 663**
Classification of liabilities for exchangeable securities ($)	-	9 945	9 945

Distribution in respect of Exchangeable securities:

The Exchangeable Securities entitle the holders, Inovalis SA, to cash distributions from CCEU equal, on a per unit basis to the distributions paid to holders of units by the REIT.

The following table breaks down distribution payments for the years ended December 31:

	2021	**2020**
Amount payable at the beginning of the year	**265**	250
Declared and recognized in earnings during the year	**1 238**	825
Distribution on exchangeable securities paid in cash	**(1 254)**	(810)
Amount payable at the end of the year	**249**	**265**

Note 17 – Trade and other payables

	Note	As at December 31, 2021	As at December 31, 2020
Trade payables		**6 806**	3 978
Trade payables - Inovalis SA	*28*	**-**	388
Trade payables		**6 806**	**4 366**
Other payables		**399**	2 181
Other payables - Joint ventures		**505**	899
Distributions payable	*24*	**2 240**	2 227
Distributions payable - Inovalis SA	*28*	**249**	265
VAT payable		**1 049**	1 114
Other payables		**4 442**	**6 686**
Total trade and other payables		**11 248**	**11 052**

Note 18 – Trust units

Trust units

The REIT is authorized to issue an unlimited number of units and an unlimited number of Special Voting Units.

The beneficial interests of the REIT are comprised of a single class of units which represent a unitholders' proportionate undivided beneficial interest in the REIT. No unit has any preference over any other unit. Each unit confers the right to one vote at any meeting of unitholders and to participate on a pro rata basis in any distributions by the REIT and, in the event of the termination of the REIT, in the net assets of the REIT remaining after the settlement of all liabilities of the Trust. The units of the Trust are redeemable at the demand of the unitholders at the fair market value of the units at that time.

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 16 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at December 31, 2021, 938,036 Special Voting Units were issued and outstanding (2020 – 1,113,663).

A DRIP has been put in place starting from the July 2013 distribution, providing unitholders with the opportunity to accumulate additional units plus additional bonus units in an amount equal to three percent of the distributions reinvested by the unitholders (see Note 24 - Distributions). Until further notice, in response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended the DRIP effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020.

Note 18 – Trust units (Cont'd)

Normal course issuer bid

On April 17, 2020 the Toronto Stock Exchange (the "TSX") approved the REIT's intention to make a normal course issuer bid ("NCIB") to acquire up to a maximum of 2,622,412 of its units, or approximately 10% of its public float as of April 15, 2020 over the next 12 months for cancellation.

The number of units that can be purchased pursuant to the NCIB is subject to a current daily maximum of 20,890 Units, subject to the REIT's ability to make one block purchase of Units per calendar week that exceeds such limits.

On April 21, 2021, the NCIB was terminated as the REIT did not enter into a renewal agreement.

Transactions relating to trust units

2021

During the year ended December 31, 2021, the REIT issued 11,597 units for $112 at a weighted average price of $9.66 in exchange for 11,597 DSUs.

During the year ended December 31, 2021, the REIT converted 175,627 Exchangeable Securities in the amount of $1,665 into 175,627 units of the REIT (Note 16 – Exchangeable Securities).

2020

During the year ended December 31, 2020, the REIT repurchased 989,275 units for $7,500 at a weighted average price of $7.58. For the year ended December 31, 2020, all of the 989,275 units were cancelled. The units repurchased during the year ended December 31, 2020 resulted in a reduction of Trust Units representing the average book value of $8,874 and an increase in retained earnings of $1,374.

During the year ended December 31, 2020, the REIT issued 4,501,938 units following the conversion of the promissory notes with a cumulative face value of $45,370. (Note 13 – Promissory Notes).

Note 19 – Non-controlling interest

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet	**Cancorp Trio 1**		**Cancorp Trio 2**		**Cancorp Trio 3**		**SCI Metropolitain**		**SCI Lenine Arcueil**		**Total**	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Current assets												
Cash and cash equivalents	840	1 975	18	15	16	61	918	4 226	8 610	5 762	10 402	12 039
Other current assets	411	835	552	285	280	39	1 255	1 346	328	1 180	2 826	3 685
Total current assets	**1 251**	**2 810**	**570**	**300**	**296**	**100**	**2 173**	**5 572**	**8 938**	**6 942**	**13 228**	**15 724**
Non-current assets	**24 850**	**25 850**	**15 875**	**17 556**	**21 071**	**23 642**	**88 333**	**92 836**	**159 252**	**172 263**	**309 381**	**332 147**
Current liabilities												
Financial liabilities	175	190	122	132	155	167	3 259	2 663	4 441	7 608	8 152	10 760
Other current liabilities	160	251	504	213	432	193	996	385	3 361	418	5 453	1 460
Total current liabilities	**335**	**441**	**626**	**345**	**587**	**360**	**4 255**	**3 048**	**7 802**	**8 026**	**13 605**	**12 220**
Non-current liabilities												
Financial liabilities	16 633	18 113	11 744	12 775	14 852	16 155	55 148	63 611	52 832	59 459	151 209	170 113
Other non-current liabilities	-	215	-	150	-	190	-	-	-	-	-	555
Total non-current liabilities	**16 633**	**18 328**	**11 744**	**12 925**	**14 852**	**16 345**	**55 148**	**63 611**	**52 832**	**59 459**	**151 209**	**170 668**
Equity	**9 133**	**9 891**	**4 075**	**4 586**	**5 928**	**7 037**	**31 103**	**31 749**	**107 556**	**111 720**	**157 795**	**164 983**
Equity attribuable to non-controlling interest	**428**	**464**	**182**	**206**	**269**	**323**	**312**	**318**	**108**	**112**	**1 299**	**1 423**

Note 19 – Non-controlling interest (Cont'd)

Summarised statement of comprehensive income	Cancorp Trio 1		Cancorp Trio 2		Cancorp Trio 3		SCI Metropolitain		SCI Lenine Arcueil		Total	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Net rental earnings	1 538	1 635	1 101	1 118	804	1 008	3 268	3 833	10 257	10 363	16 968	17 957
Administration expenses	(204)	(280)	(134)	(201)	(160)	(181)	(322)	(444)	(441)	(642)	(1 261)	(1 748)
Net change in fair value of investment properties	(1 039)	(221)	(796)	(653)	(871)	(291)	(255)	368	(239)	(89)	(3 200)	(886)
Net change in fair value of financial derivative	-	-	-	-	-	-	1 065	(242)	-	273	1 065	31
Finance income	-	-	-	-	-	-	-	27	-	-	-	27
Finance costs	(491)	(475)	(478)	(432)	(540)	(473)	(3 651)	(3 383)	(5 170)	(1 017)	(10 330)	(5 780)
Current income tax (expense)	(20)	(17)	(6)	(5)	(10)	(9)	-	-	-	-	(36)	(31)
Deferred income tax (expense)	204	(154)	143	(107)	181	(136)	-	-	-	-	528	(397)
Profit (loss) for the year	**(12)**	**488**	**(170)**	**(280)**	**(596)**	**(82)**	**105**	**159**	**4 407**	**8 888**	**3 734**	**9 173**
Profit (loss) allocated to non-controlling interest	**(1)**	**24**	**(8)**	**(14)**	**(30)**	**(4)**	**1**	**2**	**4**	**9**	**(34)**	**17**

Note 20 – Revenue

Revenue from investment properties consists of the following:

	2021	2020
Regular rents	**28 115**	28 924
Amortization of rent free periods (lease incentives)	**79**	(66)
Rental income	**28 194**	28 858
Property operating cost recoveries	**5 974**	6 850
Total revenue	**34 168**	**35 708**

At December 31, the future minimum lease receivable under non-cancellable operating leases were as follows:

	2021	2020
Within 1 year	**22 530**	29 510
After 1 year, but not more than 5 years	**28 508**	33 124
More than 5 years	**6 227**	2 550
Future minimum lease receivable under non-cancellable operating leases	**57 265**	**65 184**

For the year ended December 31, the property operating cost recoveries were as follows:

	2021	2020
Taxes	**2 244**	2 337
Insurance	**196**	127
Property management fees	**1 221**	939
Utilities and other cost recoveries	**2 313**	3 447
Property operating cost recoveries	**5 974**	**6 850**

In 2021, one tenant accounted for more than 10% of rental income: Orange (44%).

In 2020, two tenants accounted for more than 10% of rental income: Orange (37%) and Conservatoire National Des Arts Métiers (13%).

Note 21 – Expenses

For the year ended December 31, property operating costs consist of the following:

	2021	2020
Property tax expense	**(3 050)**	(3 045)
Insurance	**(245)**	(172)
Property management fees	**(1 303)**	(1 371)
Utilities	**(4 987)**	(4 301)
Total property operating costs	**(9 585)**	**(8 889)**

For the year ended December 31, general and administrative expenses consist of the following:

	2021	2020
Asset management fees	**(2 760)**	(3 117)
Less : amount invoiced to joint ventures	**1 179**	1 288
	(1 581)	(1 829)
Professional fees for accounting, tax and audit	**(2 573)**	(2 448)
Legal expenses	**(618)**	(537)
Other legal expenses related to strategic review & SIF conversion	**(1 359)**	(727)
Trustee fees	**(792)**	(692)
Travel expenses	**(63)**	(22)
Governance expenses	**(400)**	(337)
Bank expenses	**(141)**	(116)
Listing & transfer agent fees	**(86)**	(106)
Other general and administrative expenses	**(779)**	(1 050)
Total general and admnsitrative expenses	**(8 392)**	**(7 864)**

For the year ended December 31, eviction and disposal costs consist of expenses incurred by the REIT to evict tenants from the Veronese property in preparation for its sale.

Liabilities relating to Eviction and disposal costs have been recorded within Trade payables (See Note 17). There remains uncertainty with respect to the timing and amount of the payments for €916 ($1,317) of the eviction and disposal costs. The major assumptions used to calculate the estimates for these costs include the expected timing of the evictions and the current status and expected proceedings of negotiations with the tenants in place.

Note 22 – Finance costs and finance income

	2021	2020
Interest costs related to mortgage loans	**(2 780)**	(2 459)
Interest costs related to leases liabilities	**(2 167)**	(2 352)
Interest costs related to lease equalization loans	**(35)**	(70)
Interest costs related to promissory notes	**-**	(3 392)
	(4 982)	**(8 273)**
Interest SWAP & CAP	**(1 281)**	(1 234)
Other finance costs	**(1 145)**	(324)
	(7 408)	**(9 831)**
Amortization of transaction costs on mortgage loans	**(84)**	(141)
Finance costs	**(7 492)**	**(9 972)**
Finance income from a company controlled by Inovalis SA relating to the acquisition loan	**-**	1 726
Finance income from joint venture loans	**3 354**	3 955
Other finance income	**348**	939
Finance income	**3 702**	**6 620**

Note 23 – Income taxes

A reconciliation between the expected income taxes based upon statutory rates and the income tax expense recognized during the years ended December 31, is as follows:

Income tax expense	2021	2020
Income taxes computed at the Canadian statutory rate of Nil applicable to the Trust as at December 31, 2021 and 2020	-	-
Deferred tax recovery applicable to corporate subsidiaries	**2 350**	3 990
Deferred tax recovery related to change in tax rates	**4 827**	
Deferred tax recovery on recognition of previously unrecognized tax losses and temporary differences of a prior period	**321**	-
Current tax expense on distribution of profit from sale of properties	**(5 980)**	(4 098)
Current tax expense on proposed reassessments	**(2 081)**	-
Other	**(27)**	-
Income tax expense	**(590)**	**(108)**

The sources of deferred tax balances and movements are as follows:

Deferred tax liability	December 31, 2020	Net Income	Recognized in OCI	Equity and Other	December 31, 2021
Deferred taxes related to non-capital losses	(70)	(402)	(42)	-	(514)
Deferred tax liabilities related to difference in tax and book basis related to real estate, net	13 282	(7 096)	(731)	-	5 455
	13 212	(7 498)	(773)	-	**4 941**

Deferred tax liability	December 31, 2019	Net Income	Recognized in OCI	Equity and Other	December 31, 2020
Deferred taxes related to non-capital losses	-	(56)	(14)	-	(70)
Deferred tax liabilities related to difference in tax and book basis related to real estate, net	12 295	4 047	850	(3 910)	13 282
	12 295	3 991	836	(3 910)	**13 212**

As at December 31, 2021, the REIT has unutilized tax losses of €6,424 ($9,238) (December 31, 2020 - €7,568 ($11,772)) within its German subsidiaries for which a deferred tax asset has not been recognized. A deferred tax asset has not been recognized in respect of such losses as they may not be used to offset taxable profits elsewhere in the REIT, they have arisen in a loss-making subsidiary, and there are no other tax planning opportunities or other convincing evidence of recoverability in the near future. These losses can be carried forward indefinitely by the REIT.

Note 24 – Distributions

	Note	2021	2020
Amount payable at the beginning of the year		**2 227**	1 978
Declared and recognised during the year		**36 704**	24 047
Distributions paid in units		**-**	(1 213)
Paid in cash		**(36 691)**	(22 585)
Amount payable at the end of the year	*17*	**2 240**	**2 227**

In December 2021, the distribution of $2,240 for the month of December was declared, all of which was paid on January 15, 2022.

The REIT's Declaration of Trust endeavors to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. In addition, on December 31 of each year, having regard to the present intention of the trustees, the REIT intends to make payable to such unitholders, a distribution of sufficient net realized capital gains and net income for the taxation year ended on that date, net of any capital losses or non-capital losses recognized on or before the end of such year such that the REIT will not be liable for ordinary income taxes for such year, net of tax refunds. The payment of such amounts shall be made on or before the following January 15.

Notwithstanding the REIT's distribution policy, the trustees retain full discretion with respect to timing and quantum of distributions if declared.

Distributions in respect of Exchangeable Securities are detailed in Note 16 – Exchangeable Securities.

Note 25 – Accumulated other comprehensive income

	As at December 31, 2021	As at December 31, 2020
Net unrealized gain (loss) on derivatives designated as a hedge of the net investment in foreign entities	**1 796**	(676)
Cumulative translation adjustment account	**7 259**	35 589
Accumulated other comprehensive income	**9 055**	**34 913**

Note 26 – Risk arising from financial instruments

The REIT is exposed to market risk, credit risk and liquidity risk.

The REIT is exposed to financial risks arising from its financial assets and liabilities. The financial risks include interest rate risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on establishing policies 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 the REIT's activities.

The continued spread of the COVID-19 pandemic and the ensuing actions being taken by governments, businesses and individuals to limit its effects, including business closures, physical distancing and partial unemployment has impacted the global economy and the available income and liquidity of the REITs tenants, effectively increasing the credit risk associated with our receivables, limiting our ability to respond quickly to changes in credit risk, extending the time to completion and occupancy of major assets and potentially reducing our ability to serve our tenants in the future.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk and currency risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The REIT's exposure to the risk of changes in market interest rates relates to the long-term debt obligations with floating interest rates related to leases and mortgage loans.

The interest rate risk is mitigated by the REIT's strategy using derivative financial instruments on mortgage loans and on the lease liabilities. On December 31, 2021, after taking into consideration the effect of interest rate floor and interest rate cap, 73% of the REIT's long-term debt obligation has no exposure to interest rate risk (2020 – 78%).

The following table illustrates the sensitivity of profit or loss and equity to reasonably possible change in interest rates. It was considered that any further decreases in the interest rates would be unlikely or insignificant given the low rates at the reporting period end. The calculations are based on a change in the average market rate for each period presented, and the leases held at the reporting date that was sensitive to changes in interest rates.

		As at December 31, 2021	
Interest rate sentivity	**Net debt exposure**	**Impact on net income**	**Impact on comprehensive income**
	59 294		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on net income and equity		(296)	(296)

		As at December 31, 2020	
Interest rate sentivity	**Net debt exposure**	**Impact on net income**	**Impact on comprehensive income**
	64 261		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on net income and equity		(321)	(321)

Note 26 – Risk arising from financial instruments (Cont'd)

Currency Risk

Financial assets and liabilities denominated in foreign currencies	% change	Impacting Net Income	Impacting OCI	Total
			As at December 31, 2021	
			Exposure to Euro	
Monetary assets denominated in other than functional currency		662	124 483	125 145
Monetary liabilities denominated in other than functional currency		-	(218 849)	(218 849)
Net exposure in respect of monetary items denominated in other than functional currency		662	(94 366)	(93 704)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)		-	(39 600)	(39 600)
Net exposure		662	(133 966)	(133 304)
Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	66	(13 397)	(13 330)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	(66)	13 397	13 330

Financial assets and liabilities denominated in foreign currencies	% change	Impacting Net Income	Impacting OCI	Total
			As at December 31, 2020	
			Exposure to Euro	
Monetary assets denominated in other than functional currency		18,521	129,938	148,459
Monetary liabilities denominated in other than functional currency		-	(302,968)	(302,968)
Net exposure in respect of monetary items denominated in other than functional currency		18,521	(173,030)	(154,509)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)		-	(39,600)	(39,600)
Net exposure		18,521	(212,630)	(194,109)
Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	1,852	(21,263)	(19,411)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	(1,852)	21,263	19,411

The REIT operates in France and Germany, and the functional currency for these operations is the Euro. The REIT's distributions are paid to unitholders in Canadian dollars. Thus, the cash available for distribution to unitholders could be adversely impacted by currency variations. In order to ensure the predictability of distributions to its unitholders, the REIT hedges its net investment in foreign operation using foreign currency exchange contracts. As such, the exchange rate relating to 100% of the REIT's current distributions are secured by these foreign currency forward contracts until October 2022. Refer to Note 9 for a summary of the foreign exchange contracts in place.

To take advantage of improved exchange rates, a new two-year hedging program was put in place in October 2021 with Banque Palatine, which will take over the existing contract starting October 2022. As such, the exchange rate relating to 100% of the REIT's current distributions are secured by these foreign currency forward contracts, until October 2024.

Credit Risk

Credit risk is the risk that counterpart will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The REIT is directly exposed to credit risk from its leasing activities and its investing activities, including trades and other receivables, loans in other current financial assets, derivatives, deposits with banks and financial institutions. The REIT's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized on December 31, 2021.

Loan to joint ventures

Credit risk relating to loans to joint ventures is mitigated through recourse against such parties and/or the underlying real estate. The REIT monitors the debt service ability of the properties underlying the loans and the fair values thereof in order to assess for changes in credit risk.

Note 26 – Risk arising from financial instruments (Cont'd)

Accounts Receivable

Credit risk is managed by requiring tenants to pay rentals in advance. Also, in certain cases, deposits are obtained from tenants.

Accounts receivable are presented on the consolidated balance sheet, net of allowance for credit losses determined using the simplified method as allowed per IFRS 9. This provision is based on the expected recovery percentage of amounts receivable from each tenant and various other indicators, such as a deterioration of the credit situation of a given tenant. Allowance for credit loss has been minimally impacted due to COVID-19. Management has taken steps to ensure credit risk on tenants is mitigated, including obtaining bank guarantees from tenants that mitigate the risk of credit risk on outstanding balances. Management regularly reviews accounts receivable and monitors past due balances.

Cash deposit and derivatives

The credit risk for cash and derivative financial instruments is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

The REIT's objective is to maintain a balance between continuity of funding and flexibility using bank deposits and loans. Liquidity risk inherent to the financial structure of the business is mainly managed through quarterly updates of short-term cash flow forecasts, follow-up of availability of funding through an adequate amount of committed credit facilities, as well as the status of the maturity of financial assets and liabilities. Management has determined that the REIT has the financial resources to sustain its operations for the 12 months following the date of the consolidated balance sheet.

The current economic, operating and capital market environment resulting from COVID-19 pandemic has led to an increased emphasis on liquidity. While management has not changed the REIT's objectives in managing capital, the current focus is on increasing the control of cash flows and managing the REIT's existing liquidity.

The table below summarizes the maturities of the financial liabilities, and the lease liabilities based on contractual undiscounted payments. The undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts on the consolidated balance sheet, as the impact of discounting is not significant.

Note 26 – Risk arising from financial instruments (Cont'd)

Liquidity Risk (Cont'd)

As at December 31, 2021 restated (Note 34)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	26,843	17,995	47,573	2,147	**94,558**
Leases principal and interest	-	9,646	32,678	84,767	**127,091**
Interest-bearing loan	-	24	-	334	**358**
Exchangeable securities (value of securities plus interest on notes)	193	580	3,096	9,015	**12,884**
Tenant deposits	-	277	276	896	**1,449**
Derivative financial instruments	-	366	853	-	**1,219**
Trade and other payables	6,164	4,035	-	-	**10,199**
Total	**33,200**	**32,923**	**84,476**	**97,159**	**247,758**

As at December 31, 2020	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	307	6,918	91,540	70,977	**169,742**
Leases principal and interest	-	12,520	36,245	97,853	**146,618**
Interest-bearing loan	-	36	-	474	**510**
Lease equalization loans	-	371	-	-	**371**
Exchangeable securities (value of securities plus interest on notes)	230	689	3,675	9,945	**14,539**
Tenant deposits	-	1,009	512	978	**2,499**
Derivative financial instruments	-	165	3,723	-	**3,888**
Trade and other payables	6,537	3,401	-	-	**9,938**
Total	**7,074**	**25,109**	**135,695**	**180,227**	**348,105**

In accordance with IFRS, the Trust classifies the Units as equity, notwithstanding the fact that the Trust's Units meet the definition of a financial liability. Under IAS 32, the units are considered a puttable financial instrument because of the holder's option to redeem units, generally at any time, subject to certain restrictions, at a redemption price per unit equal to the lesser of 90% of a 10-day weighted average closing price prior to the redemption date or 100% of the closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed $50 unless waived by the REIT's trustees at their sole discretion.

Classification of financial instruments

The following tables summarize the classification of the REIT's consolidated financial instruments as at December 31, 2021, and 2020:

					As at December 31, 2021
	Measured at Fair Value		Measured at amortized cost		
	Derivatives at FVTPL	Designated at FVTPL	Financial assets	Financial liabilities	Total
Financial assets					
Loans to Joint Ventures			34 083		**34 083**
Derivative financial instruments	845				**845**
Trade receivables and other financial assets			9 368		**9 368**
Restricted cash			5 016		**5 016**
Cash			76 627		**76 627**
Total financial assets	**845**	**-**	**125 094**	**-**	**125 939**
Financial liabilities					
Mortgage loans				92 708	**92 708**
Tenant deposits				1 449	**1 449**
Exchangeable securities		9 015			**9 015**
Derivative financial instruments	1 219				**1 219**
Trade and other payables				10 199	**10 199**
Total financial liabilities	**1 219**	**9 015**	**-**	**104 356**	**114 590**

Note 26 – Risk arising from financial instruments (Cont'd)

Classification of financial instruments (Cont'd)

As at December 31, 2020

	Measured at Fair Value		Measured at amortized cost		
	Derivatives at FVTPL	**Designated as FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to Joint Ventures			40 531		**40 531**
Derivative financial instruments	15				**15**
Trade and other financial assets			6 623		**6 623**
Restricted cash			5 426		**5 426**
Cash			80 376		**80 376**
Total financial assets	**15**	**-**	**132 956**	**-**	**132 971**
Financial liabilities					
Mortgage loans				157 489	**157 489**
Lease equalization loans				371	**371**
Tenant deposits				2 499	**2 499**
Exchangeable securities		9 945			**9 945**
Derivative financial instruments	5 473				**5 473**
Trade and other payables				9 938	**9 938**
Total financial liabilities	**5 473**	**9 945**	**-**	**170 297**	**185 715**

Fair value of financial assets and liabilities

The following table provides a comparison of the carrying amounts and fair value of the REIT's financial assets and liabilities that are not carried at fair value in the consolidated financial statements and for which the carrying values are not reasonable approximations of their fair value:

As at December 31, 2021 restated (Note 34)	**Fair value hierarchy level**	**Carrying amount**	**Fair value**
Financial assets			
Loans to Joint Ventures	3	34,083	34,083
Financial liabilities			
Mortgage loans	2	92,708	94,834
Tenant deposits	2	1,449	1,449

As at December 31, 2020	**Fair value hierarchy level**	**Carrying amount**	**Fair value**
Financial assets			
Loans to Joint Ventures	3	40,531	40,531
Financial liabilities			
Mortgage loans	2	157,489	159,462
Lease equalization loans	2	371	371
Tenant deposits	2	2,499	2,499

The following methods and assumptions were used to estimate the fair values of financial instruments:

- The fair values of lease equalization loans and tenant deposits are estimated using the nominal amounts expected to be repaid at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.

- Mortgage loans and loans to joint ventures are carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT as at December 31, 2021 and 2020.

Note 26 – Risk arising from financial instruments (Cont'd)

Fair value of financial assets and liabilities (Cont'd)

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using December 31, 2021, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2021, of the mortgage loans has been estimated at $98,115 (December 31, 2020 – $159,462) compared with the carrying value before deferred financing costs of $92,708 (December 31, 2020 – $157,489). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments and non-financial assets measured at fair value on a recurring basis recognized on the consolidated balance sheet by the level of the fair value hierarchy: There are currently no items valued using Level 1 of the fair value hierarchy.

	As at December 31, 2021		
	Level 2	**Level 3**	**Total**
Investment properties	-	427 631	**427 631**
Derivative financial instruments - assets	845	-	**845**
Derivative financial instruments - liabilities	(1 219)	-	**(1 219)**
Exchangeable securities	(9 015)	-	**(9 015)**

	As at December 31, 2020		
	Level 2	**Level 3**	**Total**
Investment properties	-	541 218	**541 218**
Derivative financial instruments - assets	15	-	**15**
Derivative financial instruments - liabilities	(5 473)	-	**(5 473)**
Exchangeable securities	(9 945)	-	**(9 945)**

There were no transfers between any level during the years ended December 31, 2021, and 2020.

The REIT's management is responsible for determining fair value measurements included in the consolidated financial statements, including Level 3 fair values.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is in Note 7 – Investment Properties. The gains or losses relating to the investment properties are recognized in the consolidated statement of earnings lines entitled "Net change in fair value of investment properties". The entire amount of gain or loss reported on this line in the reporting period is unrealized.

The following methods and assumptions were used to estimate the above-mentioned fair values:

- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatility that are observable on an active market, as at the balance sheet date.

- The fair value of the Exchangeable Securities is based on the quoted price of the REIT's own units, on the basis that they are exchangeable on a one to one basis throughout their life at the request of the unit holders. Other features of the Exchangeable Securities have no significant impact on their fair value.

Note 27 – Unit-based compensation plan

The REIT through its Deferred Share Unit ("DSU") Plan, grants DSU's to its trustees and senior officers as non-cash compensation. These DSU's are measured at fair value at the grant date and compensation expense is recognized consistent with the vesting features of the plan. The DSU plan is accounted for as a cash-settled award as the underlying REIT units are redeemable at the sole discretion of the unitholders for cash at market value of the units. For cash-settled awards, the REIT recognizes a liability measured at its fair value. At each reporting date until the liability is settled, the fair value of the liability is remeasured, with any changes in fair value recognised as compensation expense for the same period. Upon cash settlement of a DSU the liability balance is reduced, and the fair value of the units is paid out in cash.

Effective May 15, 2019, the REIT's unitholders approved a DSU Plan to grant DSUs to its trustees and senior officers and reserved a maximum of 200,000 units for issuance under the plan. A DSU is a unit equivalent in value to one trust unit of the REIT. The DSU Plan permits the REIT's trustees to defer receipt of all or a portion of their trustee fees until termination of the trustee service and to receive such fees in the form of trust units at that time ("Elected DU"). Elected DU will vest immediately upon grant.

The DSU Plan allows the Board of Trustees to grant DSUs to its senior officers at the Board's discretion ("Granted DU"). The Granted DU will vest 1/3 over each anniversary date from date of grant over three years. The cost of Granted DU is recognized in the consolidated statement of earnings consistent with the vesting feature of each grant.

In addition, whenever cash distributions are paid on the REIT's Trust Units, additional deferred units ("ADU") shall be granted based on aggregate number of vested DSUs as at the same date.

	As at December 31, 2021	**As at December 31, 2020**
Outstanding at beginning of year	**48 850**	11 782
Granted DU	**10 294**	19 093
Elected DU	**-**	17 051
Cancelled DU	**(6 166)**	-
Exercised	**(33 900)**	-
ADUs earned	**1 172**	924
Outstanding at end of year	**20 250**	**48 850**

As of December 31, 2021, 20,250 DSUs are outstanding and 179,750 DSUs are available for grant under the DSU Plan.

There were 33,900 DSUs exercised and 6,166 DSUs cancelled during the year ended December 31, 2021 which resulted in a decrease in the DSU plan liability by $325 (December 31, 2020 – $0). For the year ended December 31, 2021, the REIT recorded an expense of $128 and an increase to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2021 was $110 and was included in Trade and other payables.

For the year ended December 31, 2020, the REIT recorded an expense of $260 and an increase to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2020 was $307 and was included in Trade and other payables.

Note 28 – Transactions with related parties

Inovalis SA – Asset manager

Pursuant to the Management Agreement, Inovalis SA is the asset manager of the REIT and provides the strategic, advisory, asset management, project management, construction management, property management and administrative services necessary to manage the operations of the REIT and its subsidiaries.

Unless otherwise stated, none of these transactions incorporated special terms and conditions. Outstanding balances are usually settled in cash, except for management fees to Inovalis SA that were settled quarterly through the issuance of exchangeable securities until Q1 2018 (refer to Note 16 - Exchangeable Securities). The amended management agreement allows for the management fees can be settled quarterly through the issuance of either exchangeable securities or in cash. Since Q2 2018, the management fees were settled half in exchangeable securities and half in cash based on the REIT's projected cash requirements and following the approval of the Board of Trustees.

Inovalis and its subsidiaries	Financial statement line item	Note	2021	2020
Revenues				
Rental income	Rental income		2	-
Interest income from acquisition loan	Finance income	*24*	-	1 726
			2	**1 726**
Expenses				
Asset management fees	Administration expenses	*A*	**(1 581)**	(1 829)
Facilities management fees	Service charge expenses		**(361)**	(458)
Property management fees	Service charge expenses	*B*	**(1 287)**	(1 371)
Letting fees invoiced	Service charge expenses		**(72)**	(150)
less portion accounted for over the lease term	Service charge expenses		**59**	134
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**(1 238)**	(825)
Interest expense on lease equalization loans	Finance costs		**(35)**	(70)
Reimbursment of travel expenses	Administration expenses		**(63)**	(22)
Trustee fees	Administration expenses		**(792)**	(692)
Broker and disposition fees	Loss on disposal of investment properties		**(3 652)**	-
			(9 022)	**(5 283)**
Unitholders' Equity				
Conversion of Exchangeable securities into units of the REIT	Issuance of Units	*16*	**(1 665)**	-
			(1 665)	**-**
Liabilities				
Exchangeable securities issued for the period	Exchangeable securities	*16*	-	1 537

(A) *Asset management fees of $2,760 and $3,117 as at December 31, 2021, and December 31, 2020, respectively, correspond to the asset management fees earned for the entire portfolio, including $1,179 and $1,288 attributable to assets held through joint ventures. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.*

(B) *An annual property management fee (the "Property Management Fee") in an amount equal to 3.0% of the gross revenue of the properties, approximately 90% of which is rebilled to tenants.*

Note 28 – Transactions with related parties (Cont'd)

Inovalis and its subsidiaries	Note	Due from (to) Inovalis SA As at December 31, 2021	As at December 31, 2020
Assets			
Trade and other receivables		**233**	269
		233	**269**
Liabilities			
Interest-bearing loan		**358**	510
Lease equalization loans		**-**	371
Distributions payable	*16*	**249**	265
Exchangeable securities	*16*	**9 015**	9 945
Trade and other payables		**-**	388
		9 622	**11 479**

On March 24, 2021, the Board of Trustees approved a two-year extension of the Management Agreement with Inovalis SA that became effective on April 1, 2021.

The following modifications were approved in the amended and restated management agreement:

- **Term:** The extension is for two (2) years ending on March 31, 2023. The agreement may be renewed upon mutual agreement of the parties for an additional term of one (1) year.
- **Asset Management Fees:** Will be calculated as a percentage of Assets Under Management in accordance with the following scale:

Assets Under Management	Annual Asset Management Fee
On the first $1.0 billion	0.5%
From $1.0 billion to $2.0 billion	0.4%
On $2.0 billion and over	0.3%

  The asset management fee will be further reduced by $500,000 once the REIT Finance Function Internalization is completed.
- **Disposition Fees:** Inovalis S.A. will receive a cash fee equal to (a) 1.0% of the gross proceeds resulting from any disposition of a property completed by Inovalis S.A or (b) 0.5% of Assets Under Management in the event of (i) a change of control of the REIT which results in a termination of the management agreement, (ii) a sale of all or substantially all of the assets of the REIT, or (iii) a sale or other disposition of CanCorpEurope S.A. In all cases, a disposition fee will only be payable to the extent that the net proceeds of any sale or disposition are paid to or distributed as a special distribution to Unitholders of the REIT. Furthermore, only one disposition fee shall be payable for each individual asset disposed of, and no disposition fee shall be payable on a change of control of the REIT to the extent that Inovalis S.A. takes any action to oppose the change of control.
- **G&A Budget:** The REIT and Inovalis S.A. will agree to a budget for general and administrative expenses on an annual basis (the "G&A Budgeted Amount"), with any additional proposed expenditures to be approved by the Audit Committee of the REIT. Inovalis S.A. will be obligated to reimburse the REIT for amounts in excess of the G&A Budgeted Amount based on a scale. In the event that the actual G&A expenses of the REIT are significantly less than the G&A Budgeted Amount, the REIT shall pay to Inovalis S.A. an additional fee based on the percentage of the savings in accordance with the following scale:

Percentage of Excess under G&A Budgeted Amount	Percentage of Saved G&A to be paid by the REIT to Inovalis SA
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

Note 28 – Transactions with related parties (Cont'd)

- **Manager Reimbursement:** The Manager will reimburse the REIT for any general and administrative expenses in excess of the Annual G&A Budgeted Amount in accordance with the following scale:

Percentage of Excess over G&A Budgeted Amount	Percentage of Excess G&A to be reimbursed by Inovalis S.A. to the REIT
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

  Also, from January 1, 2021 until the completion of the REIT Finance Function Internalization, Inovalis S.A. will reimburse the REIT for 50% of all costs related to the REIT Finance Functions.
- **Change of Control:** Upon the occurrence of a change of control of the REIT, the Board of Trustees has the option to terminate the Management Agreement, exercisable within 90 days.

Inovalis SA – Asset manager

On November 30, 2021, the REIT closed the sale of the Jeuneurs investment property to a third-party investor. In conjunction with the sale, the REIT paid €712 ($1,056) in disposition fees to Inovalis SA and €1,424 ($2,111) in broker fees to Advenis Real Estate Solutions, a subsidiary of Inovalis SA. See Note 7 for further details.

Joint ventures

The transactions and balances with joint ventures entities are summarized below:

	Financial statement line item	2021	2020
Management fees invoiced to joint ventures	Administration expenses	**(1 179)**	(1 288)
Property management fees	Service charge expenses	**(252)**	(317)
Letting fees invoiced	Service charge expenses	**(19)**	(32)
less portion accounted for over the lease term	Service charge expenses	**16**	28
Finance income	Finance income	**3 354**	3 955
		1 920	**2 346**

Management fees invoiced to joint ventures include:

A. An annual asset management fee in the amount of 0.5% of assets under management
B. A leasing fee in an amount equal to (i) 10% of the first-year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first-year annual rent for leases by new tenants;
C. A construction management fee in respect of capital projects in an amount equal to 5% of all hard construction costs incurred on a project;
D. An acquisition fee in the amount of 1% of the purchase price of any property acquired (excluding of properties owned or managed by the Manager);
E. An annual property management fee in an amount equal to 3.0% of the gross revenue of the properties, unless otherwise stipulated in any tenant lease provided the Property Management Fee is fully recoverable by the landlord.

		Due from joint ventures	
	Financial statement line item	As at December 31, 2021	As at December 31, 2020
Assets			
Loan receivable	Investments accounted for using the equity method	**34 083**	40 531
Interest receivables	Other financial assets - current	**2 177**	1 106
		36 260	**41 637**
Liabilities			
Balance of sale payable	Trade and other payables	**505**	899
		505	**899**

Note 28 – Transactions with related parties (Cont'd)

Inovalis SA – Asset manager (Cont'd)

On October 2, 2020, the REIT acquired 20% of the shareholdings of SCCV that were previously held by Neo Soleil SAS, a wholly-owned subsidiary of Inovalis SA, for €2.2 ($3.4). The investment in SCCV by the REIT is considered a joint venture. On December 8, 2021, the REIT sold its 20% interest in SCCV and the balance of its interest-bearing loan with SCCV to a third party.

For more information on joint ventures, please refer Note 8 – Investments in Joint Ventures.

Remuneration of key management personnel

The following table presents the remuneration of key management personnel, which for the purposes of this note are defined as the members of the board of trustees as well as the officers of CanCorpEurope. The appointed officers of the REIT are employed and remunerated by Inovalis SA rather than the REIT, and the costs of their services are not invoiced distinctly from the overall asset management fees.

	2021	2020
Wages, fees and other benefits	(792)	(692)
	(792)	**(692)**

Note 29 – Capital management

The REIT's objectives when managing capital is to safeguard the REIT's ability to provide returns for unitholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The REIT considers its capital to include its unitholders' equity, its mortgage loan, its lease liabilities, and the Exchangeable Securities, and Unitholders' equity.

The terms of the REIT's Declaration of Trust as amended at the special meeting of unitholders held January 20, 2016, stipulates that the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of the indebtedness, the total indebtedness of the REIT would be more than 60% of the REIT's Gross Book Value (GBV). These stipulated limits are taken into consideration principally when planning the financing of acquisitions and when preparing corporate plans and budgets.

As outlined below, the REIT is meeting this objective in that its total indebtedness was 42% of its GBV as at December 31, 2021 (2020 – 46.7%).

	2021 (restated)	2020
Investment properties	**427,631**	541,218
Investments in joint ventures	**64,327**	75,987
Gross book value	**491,958**	**617,205**
Mortgage loans - non-current	**48,662**	152,737
Lease liabilities - non-current	**106,351**	121,813
Mortgage loans - current	**44,046**	4,752
Lease liabilities - current	**7,700**	8,474
Lease equalization loan - current	**-**	371
Total indebtedness	**206,759**	**288,147**
Total indebtedness as a % of gross book value	**42.0%**	46.7%

Note 30 – Contingent liabilities and financial guarantees

Commitments given

Guarantees provided by the REIT with respect to its long-term debts include a preferential claim held by the mortgage lenders on the Veronese, Sabliere, Baldi, Walpur and Trio 1, 2, 3 properties in the amount of €80,692 ($116,035).

The REIT also has a share pledge on the shares of the companies SCI Baldi.

The companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3, SCI Baldi, SCI Veronese, SCI Sabliere, and Walpur also need to comply with banking covenants. The REIT is in breach of the debt service coverage ratio banking covenants on the mortgage loans held within SCI Veronese and SCI Sabliere as at December 31, 2021. (See Note 14 and Note 34.) The REIT is in compliance with all other covenants as at December 31, 2021.

Second rank mortgages on the building was granted by the company SCI Sabliere and third and fourth row rank mortgages on the building were also granted by the company SCI Veronese.

Finally, the company SCI Veronese has granted a leasing cash reserve to the bank (Palatine) for €1,000 ($1,438) and the companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3 have set up a capex reserve for €2,486 ($3,575).

Tenant commitments received

The companies SCI Metropolitain, SCI Veronese, SCI Sabliere, Cancorp Trio 1, Cancorp Trio 2 and Cancorp Trio 3 and Walpur received bank guarantees securing the rentals of certain tenants up to €1,676 ($2,410).

Note 31 – Geographical information

Total revenue by geographic region For the years ended December 31,	Rental income		Property operating cost recoveries		2021	2020
	2021	2020	2021	2020		
France	22 981	24 516	4 744	5 780	**27 725**	30 296
Germany	5 213	4 342	1 230	1 070	**6 443**	5 412
	28 194	**28 858**	**5 974**	**6 850**	**34 168**	**35 708**

Investment properties and investments in joint ventures by geographic region	As at December 31, 2021	As at December 31, 2020
France	**367 665**	478 450
Germany	**124 293**	138 755
	491 958	**617 205**

Note 32 – Cash flow information

	Note	2021	2020
Adjustments for non-cash items and other reconciling items:			
Loss (gain) on sale of investment in joint venture, excluding transaction costs	*8*	**54**	(207)
Decrease (increase) in rent-free period	*7*	**7**	(241)
Management fees paid in exchangeable securities	*16*	**-**	1 537
Net change in fair value of investment properties	*7*	**(29 419)**	7 431
Change in classification of finance costs in relation to mortgage loan	*22*	**112**	-
Net change in fair value of financial derivatives	*9*	**(2 215)**	(1 166)
Distributions recognized on exchangeable securities	*16*	**1 238**	825
Net change in fair value of exchangeable securities	*16*	**735**	(1 154)
Net change in fair value of promissory notes	*13*	**-**	(12 730)
Finance income	*22*	**(3 702)**	(6 620)
Finance costs	*22*	**7 492**	9 972
Share of net (earnings) loss from investments in joint venture	*8*	**(676)**	6 524
Impairment of loans to joint ventures	*8*	**2 738**	-
Foreign exchange loss (gain)		**1 129**	(1 011)
Net change in fair value of acquisition loan		**-**	(272)
		(22 507)	**2 888**
Working capital adjustments			
Increase in trade and other receivables		**(1 717)**	(1 647)
Decrease in tenant deposits		**(1 024)**	(84)
Decrease in trade and other payables		**2 457**	(17 242)
		(284)	**(18 973)**

The following investing and financing activities that took place in the year ended December 31, 2020 did not require the use of cash or cash equivalents:

- Conversion of promissory notes into units of the REIT
- Acquisition of investment in joint venture through the exercise of call option

Cash and non-cash changes in liabilities arising from financing activities:

Liabilities	As at December 31, 2020	Cash-flows [1]	Conversion of exchangeable securities into units	Reclassification of financing and deferral costs	Foreign exchange movement	Fair value changes	As at December 31, 2021
Exchangeable securities	9 945	-	(1 665)	-	-	735	**9 015**
Mortgage loans	157 489	(53 751)	-	112	(11 141)	-	**92 708**
Lease liabilities	130 287	(6 593)	-	-	(9 643)	-	**114 051**
Lease equalization loans	371	(354)	-	-	(17)	-	-

(1) Cash-flows include issuance and repayment.

Liabilities	As at December 31, 2019	Cash-flows [1]	Issuance of exchangeable securities	Foreign exchange movement	Other	Fair value changes	Assignment of mortgage on acquisition	Conversion of promissory notes to trust units	As at December 31, 2020
Promissory notes	47,909	(55)	-	-	(90)	(12,730)	-	(35,034)	**-**
Exchangeable securities	9,562	-	1,537	-	-	(1,154)	-	-	**9,945**
Mortgage loans	134,360	(3,170)	-	9,081	-	-	17,218	-	**157,489**
Lease liabilities	123,878	(1,978)	-	8,387	-	-	-	-	**130,287**
Lease equalization loans	2,019	(1,756)	-	108	-	-	-	-	**371**

(1) Cash-flows include issuance and repayment.

Note 33 – Subsequent events

Bad Homburg – Loan Extension

On March 16, 2022, the REIT signed an amendment relating to the mortgage loan on the Bad Homburg property within the Walpur Four entity. The new amendment extends the mortgage loan for one year, with a new maturity date of March 31, 2023.

Purchase of the Gaia property

On March 28, 2022, the REIT entered into a deed of sale to purchase the office building ("the Gaia Property"). The REIT obtained a 100% ownership interest in the Gaia Property and any related working capital items for total consideration of EUR€40,683 (CAD$55,951), which includes transaction costs of EUR€3,720 (CAD$5,118). Deducted from the total consideration is a rental guarantee received from the seller of EUR€2,476 (CAD$3,406) equal to the fair value of the vacancies and below-market lease contracts in place for the Gaia Property. The transaction was financed using a bank loan of EUR€22,000 (CAD$30,265) as well as excess cash reserves of the REIT.

Purchase of the Delgado property

On March 31, 2022, the REIT entered into a deed of sale to purchase the office building ("the Delgado Property"). The REIT obtained ownership of the Delgado Property and any related working capital items for total consideration of €31,207 ($43,198), which includes transaction costs of €1,781 ($2,467). The transaction was financed using a bank loan of €16,225 ($22,474) as well as excess cash from the sale of the Jeuneurs property.

Refinancing of the Cancorp Duisburg

On May 13, 2022, CCD, which is a joint venture of the REIT, entered into a new loan agreement with a third-party lender and repaid the loan with its existing lender. Any excess proceeds received as part of the refinancing were used to repay its outstanding shareholder loans. CCD repaid €2,940 ($4,086) on its shareholder loan to CCEU as a result of the refinancing. CCEU is an 88.15% owned subsidiary of the REIT.

Loan Covenant Breach on SCI Baldi

On June 30, 2022, the REIT breached the debt service coverage ratio covenant on its mortgage loan within SCI Baldi, which had a balance outstanding of $5,800 as at June 30, 2022. The covenant requirement of 115% was breached as a result of planned tenant vacancies within this entity. The REIT is in communication with the lender to obtain a waiver.

Note 34 – Restatement of the consolidated balance sheet

The consolidated financial statements for the year ended December 31, 2021 have been amended and restated to correct the classification of the REIT's mortgage loans within SCI Sabliere and SCI Veronese. The portion of the mortgage loans within SCI Sabliere and SCI Veronese that had previously been classified as non-current liabilities have been reclassified as current liabilities. This reclassification is necessary due to the year-end debt service covenant ratio not being met on the mortgage loans as at December 31, 2021 (see Note 14) allowing the lenders to call the principal outstanding on demand.

The effect of this restatement resulted in the reclassification of $24,437 in mortgage loans from non-current liabilities to current liabilities as at December 31, 2021. The adjustment had no effect on the previously reported amounts of earnings, comprehensive income, or cash flows from operating activities, investing activities or financing activities. The restated consolidated balance sheet is as follows for December 31, 2021:

Note 34 – Restatement of the consolidated balance sheet (Cont'd)

Consolidated Balance Sheets

Assets	Note	As at December 31, 2021 As restated	As previously reported	Restatement
Non-current assets				
Investment properties	*7*	**427,631**	427,631	-
Investments in joint ventures	*8*	**64,327**	64,327	-
Restricted cash	*12*	**4,964**	4,964	-
Total non-current assets		**496,922**	**496,922**	**-**
Current assets				
Trade receivables and other financial assets	*10*	**9,368**	9,368	-
Derivative financial instruments	*9*	**845**	845	-
Other current assets	*11*	**3,431**	3,431	-
Restricted cash	*12*	**52**	52	-
Cash		**76,627**	76,627	-
Total current assets		**90,323**	**90,323**	**-**
Total assets		**587,245**	**587,245**	**-**
Liabilities and equity	***Note***	**As restated**	**As previously reported**	**Restatement**
Liabilities				
Non-current liabilities				
Interest-bearing loan	*14*	**334**	334	-
Mortgage loans	*14*	**48,662**	73,099	(24,437)
Lease liabilities	*14*	**106,351**	106,351	-
Tenant deposits		**1,172**	1,172	-
Derivative financial instruments	*9*	**366**	366	-
Deferred tax liabilities	*23*	**4,941**	4,941	-
Total non-current liabilities		**161,826**	**186,263**	**(24,437)**
Current liabilities				
Interest-bearing loan	*14*	**24**	24	-
Mortgage loans	*14*	**44,046**	19,609	24,437
Lease liabilities	*14*	**7,700**	7,700	-
Tenant deposits		**277**	277	-
Derivative financial instruments	*9*	**853**	853	-
Exchangeable securities	*16*	**9,015**	9,015	-
Trade and other payables	*17*	**11,248**	11,248	-
Income tax payable	*23*	**2,167**	2,167	-
Deferred income		**4,004**	4,004	-
Total current liabilities		**79,334**	**54,897**	**24,437**
Total liabilities		**241,160**	**241,160**	**-**
Equity				
Trust units	*18*	**288,752**	288,752	-
Retained earnings		**46,979**	46,979	-
Accumulated other comprehensive income	*25*	**9,055**	9,055	-
Total unitholders' equity		**344,786**	**344,786**	**-**
Non-controlling interest	*19*	**1,299**	1,299	-
Total equity		**346,085**	**346,085**	**-**
Total liabilities and equity		**587,245**	**587,245**	**-**

Corporate information

Head office

Inovalis REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

Investor relations

E-mail: info@inovalis.com

Website: www.inovalisreit.com

Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

Distribution Reinvestment Plan

Inovalis has implemented a DRIP By participating in the Plan, unitholders have cash distributions from Inovalis REIT reinvested in additional units as and when cash distributions are made with a “bonus” distribution of units equal to 3% of the amount of the cash distribution reinvested pursuant to the Plan. Until further notice, in response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended the DRIP effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020.

INOVALIS REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

www.inovalisreit.com