INOVALIS REIT
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2014

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF INOVALIS REIT

We have audited the accompanying consolidated financial statements of INOVALIS REIT, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, and the consolidated statements of earnings, comprehensive income, changes in unitholders' equity and cash flows for the year ended December 31, 2014 and for the period from February 8, 2013 to December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of INOVALIS REIT as at December 31, 2014 and 2013, and its financial performance and its cash flows for the year ended December 31, 2014 and for the period from February 8, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada
March 26, 2015

[1] CPA auditor, CA, public accountancy permit no. A129122

INOVALIS REIT

Consolidated Balance Sheets as at December 31, 2014 and 2013

(All dollar amounts in thousands of Canadian dollars)

Assets	Note	2014	2013
Non-current assets			
Investment properties	*7*	308,596	244,900
Investment accounted for using the equity method	*8*	18,307	-
Acquisition loan	*9*	17,548	-
Derivative financial instruments	*16*	875	-
Restricted cash and other financial assets	*11*	309	2,058
Total non-current assets		345,635	246,958
Current assets			
Trade and other receivables	*10*	2,852	1,119
Derivative financial instruments	*16*	761	-
Other current assets		731	627
Restricted cash	*11*	291	1,236
Cash and cash equivalents		24,185	6,120
Total current assets		28,820	9,102
Total assets		**374,455**	**256,060**

Liabilities and Unitholders' equity	Note	2014	2013
Liabilities			
Non-current liabilities			
Mortgage loans	*12*	47,150	-
Finance lease liabilities	*12*	130,680	102,573
Lease equalization loans	*13*	3,101	1,470
Tenant deposits	*14*	1,626	1,189
Exchangeable securities	*15*	16,663	11,648
Derivative financial instruments	*16*	1,077	1,469
Deferred tax liabilities		949	-
Total non-current liabilities		201,246	118,349
Current liabilities			
Finance lease liabilities	*12*	6,991	9,055
Lease equalization loans	*13*	248	-
Tenant deposits	*14*	380	-
Exchangeable securities	*15*	1,482	586
Derivative financial instruments	*16*	605	1,002
Trade and other payables	*17*	5,653	3,374
Other current liabilities		233	694
Total current liabilities		15,592	14,711
Total liabilities		216,838	133,060
Unitholders' equity			
Trust units	*18*	133,010	98,719
Retained earnings		17,291	10,610
Accumulated other comprehensive income	*18*	7,316	13,671
Total Unitholders' equity		157,617	123,000
Total liabilities and Unitholders' equity		**374,455**	**256,060**

See accompanying notes to consolidated financial statements

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

Stéphane Amine
Chairman and Trustee

Daniel Argiros
Lead Trustee

INOVALIS REIT

Consolidated Statements of Earnings
(All dollar amounts in thousands of Canadian dollars)

	Note	For the year ended December 31, 2014	Period from February 8, 2013 to December 31, 2013
Rental income	19	18,682	12,523
Service charge income	19	4,696	2,845
Service charge expense		(5,417)	(3,180)
Other property operating expense		(35)	(63)
Net rental earnings		17,926	12,125
Administration expenses	20	(3,555)	(2,819)
Foreign exchange (loss) gain		(436)	64
Net change in fair value of investment properties	7	5,248	5,894
Gain on bargain purchase	6	8,289	9,716
Business acquisition costs		(1,647)	(3,371)
Operating earnings		25,825	21,609
Loss on financial instruments at fair value through profit or loss		(346)	(2,682)
Share of the profit of an investment accounted for using the equity method	8	4,452	-
Loss recognized on exercise of early payment option on finance leases	12	(7,968)	-
Finance income	21	618	21
Finance costs	21	(4,125)	(2,324)
Gain on disposal of a 50% interest in a subsidiary	8	250	-
Distributions on Exchangeable securities	15	(1,267)	(752)
Net change in fair value of Exchangeable securities	15	107	1,522
Earnings before income tax		17,546	17,394
Current income tax expense	22	(9)	(13)
Deferred income tax expense		(992)	-
Earnings for the year		**16,545**	**17,381**
Earnings per unit attributable to unit holders:	23		
Basic earnings per unit		1.39	1.53
Diluted earnings per unit		1.32	1.32

Consolidated Statements of Comprehensive Income
(All dollar amounts in thousands of Canadian dollars, unless otherwise stated)

	Note	For the year ended December 31, 2014	Period from February 8, 2013 to December 31 2013
Earnings for the period		**16,545**	**17,381**
Other comprehensive income			
Derivatives designated as a hedge in the net investment in a foreign entity			
Net gains		1,942	-
Derivatives designated as cash flow hedges			
Net losses		(2,142)	-
Reclassification of net gains to earnings		27	-
Change in cumulative translation adjustment account		(6,182)	13,671
Total other comprehensive income		(6,355)	13,671
Total comprehensive income for the year		**10,190**	**31,052**

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Unitholders' Equity

(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
As at December 31, 2013		**11,285,087**	**98,719**	**10,610**	**13,671**	**123,000**
Public offering of units		3,978,500	37,000	-	-	37,000
Issue costs		-	(2,845)	-	-	(2,845)
Distribution earned by Unitholders	*24*	-	-	(9,864)	-	(9,864)
Distribution Reinvestment Plan	*24*	14,949	136	-	-	136
Transactions with owners		3,993,449	34,291	(9,864)	-	24,427
Earnings for the year		-	-	16,545	-	16,545
Other comprehensive income					(6,355)	(6,355)
2014		**15,278,536**	**133,010**	**17,291**	**7,316**	**157,617**
As at February 8, 2013		-	-	-	-	-
Public offering of Units		11,370,000	113,700	-	-	113,700
Repurchase of units for conversion into exchangeable securities		(87,000)	(870)	-	-	(870)
Issue costs		-	(14,129)	-	-	(14,129)
Distribution earned by Unitholders	*24*	-	-	(6,771)	-	(6,771)
Distribution Reinvestment Plan	*24*	2,087	18	-	-	18
Transactions with owners		11,285,087	98,719	(6,771)	-	91,948
Earnings for the period				17,381		17,381
Other comprehensive income					13,671	13,671
As at December 31, 2013		11,285,087	98,719	10,610	13,671	123,000

See accompanying notes to consolidated financial statements

INOVALIS REIT

Consolidated Statements of Cash Flows (part 1)

(All dollar amounts in thousands of Canadian dollars)

	Note	For the year ended December 31, 2014	Period from February 8, 2013 to December 31, 2013
Operating activities			
Earnings before taxes for the year		17,546	17,394
Adjustments for non-cash items and other reconciling items:			
Rent free period		(1,997)	(1,389)
Management fees paid in Exchangeable securities		1,793	1,198
Net change in fair value of investment properties		(5,248)	(5,894)
Loss on financial instruments at fair value through profit or loss	*16*	346	2,682
Distributions on Exchangeable securities	*15*	1,267	752
Net change in fair value of Exchangeable securities	*15*	(107)	(1,522)
Interest revenue recognized		(618)	-
Interest expense		3,609	1,209
Distributions on Exchangeable securities paid in the form of interest on notes issued by a subsidiary	*15*	(625)	-
Income taxes paid		(3)	(13)
Loss recognized on exercise of early payment option on finance leases		7,968	-
Amortization of fair value adjustment on assumed debt		516	1,093
Gain on bargain purchase	*6*	(8,289)	(9,716)
Other items		7	-
Share of the profit of an investment accounted for using the equity method	*8*	(4,452)	-
Net impact of disposal of a 50% interest in a subsidiary		250	-
Unrealized exchange loss		(4)	-
Cash items classified as operating activities			
Interest received		639	-
Interest paid		(3,099)	(1,208)
Business acquisition costs classified in investing activities		1,647	3,371
		11,146	7,957
Working capital adjustments:			
Decrease in trade and other receivables		(2,140)	(1,648)
Increase in tenant deposits		879	1,058
Increase in trade and other payables		2,314	2,447
Other		-	-
Net cash flows related to operating activities		12,199	9,814

Consolidated Statement of Cash Flows (continued)

	Note	For the year ended December 31, 2014	Period from February 8, 2013 to December 31, 2013
Net cash flows related to operating activities		12,199	9,814
Investing activities			
Business acquisition	6	(16,706)	(96,348)
Business acquisition costs	6	(1,647)	(3,371)
Finance lease debt reimbursement and SWAP settlement		-	(5,498)
Additions to investment properties, net of reimbursements	7	-	(36)
Proceeds from sale of a 50% interest in a subsidiary	8	9	-
Loan to Inovalis		(17,740)	-
Investment in loans to a joint venture	8	(15,001)	-
Decrease (increase) in other financial assets		2,696	(3,049)
Settlement of derivative financial instruments related to interest rate hedges		(2,408)	(211)
Net cash flows related to investing activities		(50,797)	(108,513)
Financing activities			
Units issued for cash		37,000	112,830
Unit issue costs		(2,845)	(13,622)
Exchangeable securities issued for cash	15	-	12,558
Distributions on Units paid in cash	24	(9,454)	(5,977)
Distributions on Exchangeable securities paid in the form of repayment of interest bearing notes issued by a subsidiary	15	(820)	(479)
Proceeds from new mortgage loans, net of transaction costs	12	50,766	-
Proceeds from new sale-leaseback, net of initial down payment	12	85,709	-
Transaction fees related to new lease		(2,633)	(4,952)
Repayment of lease liability upon exercise of early payment option		(100,095)	-
Regular repayment of finance lease liabilities		(5,114)	-
Proceeds from loan from Inovalis		4,259	-
Purchase of derivative financial instrument - CAP on mortgage loan interest		(529)	-
Lease equalization loan		1,887	1,389
Net cash flows related to financing activities		58,131	101,747
Net increase in cash and cash equivalents		19,533	3,048
Effects of foreign exchange adjustments on cash and cash equivalent		(1,468)	3,072
Cash and cash equivalents at the beginning of the year		6,120	**-**
Cash and cash equivalents at the end of the year		**24,185**	**6,120**
Cash and cash equivalents at the end of the year			
Cash		23,951	6,120
Cash equivalents		234	-
		24,185	6,120

See accompanying notes to consolidated financial statements

Note 1 – Organization

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 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.

The REIT's consolidated financial statements for the year ended December 31, 2014 were authorized for issuance by the Board of Trustees on March 26, 2015.

The REIT has hired Inovalis S.A. ("Inovalis"), a real estate asset manager having operations in France and Germany, to manage certain functions. Refer to Note 3 – Significant accounting policies, Note 9 – Acquisition loan, and Note 15 – Exchangeable securities for more information about the relationship between Inovalis and the REIT, and to Note 26 **–** Transactions with related parties for information regarding the services provided by Inovalis to the REIT.

Note 2 – Basis of preparation of consolidated financial statements

Statement of compliance

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

Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars for reporting to the REIT's Unitholders. All financial information has been rounded to the nearest thousand (CAD$ 000) except when otherwise indicated. The accounting policies set out below have been applied consistently in all material respects.

The consolidated financial statements have been prepared on the historical cost basis except for Investment properties, Exchangeable securities and Derivative financial instruments, which are measured at their fair values.

Note 3 – Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

Basis of consolidation

The consolidated financial statements include the financial statements of the Trust and all of its subsidiaries. The REIT controls a subsidiary if it has power over it, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have the same reporting date as the REIT. Subsidiaries are consolidated from the date of acquisition, being the date on which the REIT 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.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Details of the REIT's subsidiaries as of December 31, 2014 are as follows:

Name of subsidiary	Principal Activity	Country of Incorporation and Residence	Proportion of Ownership Interest and Voting Power Held
CanCorpEurope S.A.	Holding Company for European assets	Luxembourg	90%
CanCorpHanover S.A.	Investment property holding	Luxembourg	100% held by CanCorpEurope
INOPCI1	Holding Company for assets in France	France	100% held by CanCorpEurope
BBA SCI	Investment property holding	France	100% held by INOPCI1
Véronèse SCI	Investment property holding	France	100% held by INOPCI1
Jeûneurs SCI	Investment property holding	France	100% held by INOPCI1
Sablière SCI	Investment property holding	France	100% held by INOPCI1
Baldi SCI	Investment property holding	France	100% held by INOPCI1
Metropolitain SCI	Investment property holding	France	100% held by INOPCI1
Metropolitan LLC	Investment and holding Company	USA	100%

As explained in note 8, the Company has, through its subsidiary CanCorpEurope S.A. ("CCE"), a 50% interest in a joint-venture, CanCorp Duisburg S.à r.l.("CCD") incorporated in Luxembourg.

Also, as explained in Note 4, the 10% interest held by Inovalis in CCE and its subsidiaries is presented as a liability rather than a non-controlling interest (Refer to note 12 for details regarding this interest).

Business Combinations and Property Acquisitions

The purchase method of accounting is used for acquisitions meeting the definition of a business. The cost of an acquisition is measured as the fair value of the consideration paid.

The REIT recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair values irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in earnings for the period as a Gain on bargain purchase. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

When the acquisition does not represent the acquisition of a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of such an acquisition, including any transaction costs, is allocated to the assets acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Foreign currency translation

Functional 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"). The functional currency of the REIT's subsidiaries is the euro, whereas the functional currency of the parent company is the Canadian dollar. The functional currency of the entities of the REIT has remained unchanged during the reporting period.

Transactions and balances

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 remeasured. 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 income statement of earnings under "Foreign exchange (loss) gain".

Subsidiaries

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

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
ii. items presented in the income statement, comprehensive income and 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 recognised in the cumulative translation adjustment account in equity.

When a foreign operation or notes issued to them are partially disposed of, sold or repaid, related exchange differences that were recorded in equity are recognized in the consolidated statement of earnings as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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. Property held under a finance lease is classified as investment property when the definition of an investment property is met. The lease obligation is recognized at an amount equal to the fair value of the lease property or, if lower, the present value of the minimum payments, each determined at the inception of the lease.

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 initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is carried at fair value. 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 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 lease incentive and letting fees.

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

Joint arrangements and investments in associates

Joint arrangements apply to situations where decisions about the relevant activities of a joint arrangement 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 joint venturers only have rights to the net assets of the arrangement.

Because the terms of the agreement clearly stipulates that decisions about the relevant activities relating to the joint ownership require unanimous consent of both shareholders and that the parties have a right only on the net assets, Management concluded that the 50% interest in CCD is a joint venture.

Investments in joint ventures are accounted for using the equity method. The carrying amount includes the investment in the joint venture determined using the equity method together with any long-term interests that, in substance, form part of the entity's net investment in the joint venture. The carrying amount of the investment in joint ventures is increased or decreased to recognize the REIT’s share of the 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 venture are eliminated to the extent of the REIT’s interest in the joint venture.

Unitholders’ equity

The REIT classifies issued Units as equity in the consolidated balance sheet. The Units are puttable financial instruments because of the Unitholders’ option to redeem Units, at any time, 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 pursuant to the provisions of IAS 32, Financial Instruments: Presentation, on the basis that the Units meet all of the criteria in 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 or another financial asset, the Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the 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 the 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 profit or loss, the change in the recognized net assets, or the change in the fair value of the recognized and unrecognized net assets of the REIT. The REIT also 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 issue of Units are recognized directly in Unitholders’ equity as a reduction of the proceeds received.

Retained earnings include all current and prior period retained profits net of amounts distributed to Unitholders.

Accumulated other comprehensive income includes the cumulative foreign currency translation differences arising on the translation of consolidated entities that use a function currency that is different from the REIT's presentation currency as well as gains and losses arising from hedging activities.

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 and are measured at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Financial assets are derecognized 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 derecognized when the obligation specified in the contract is extinguished, discharged, cancelled or expires. 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 simultaneously.

Classification and subsequent measurement

Trade and other receivables

Trade receivables and other receivables are classified as loans and receivables, initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment if applicable. Loans and receivables are reviewed for impairment at least at each reporting date to determine if there is any objective evidence that a financial asset is impaired. A provision for impairment of loans and receivables is recognized when there is objective evidence that the REIT will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Changes in the provision for impairment of loans and receivables are presented in the consolidated statement of earnings within “Other property operating expenses”.

Restricted cash

Restricted cash represents the cash pledged as security for the foreign currency forward contracts. Restricted cash is classified as loans and receivables. Restricted cash is recognized initially and subsequently at fair value.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized at their fair values on the date at which a derivative contract is entered into and are subsequently measured at fair value. Derivative financial instruments are classified as financial assets 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 a hedge relationship, the REIT formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. The effective portion of the gain or loss on the hedging instruments is recognized in other comprehensive income (loss), while any ineffective portion is recognized immediately in profit or loss. Amounts recognized in other comprehensive income (loss) are transferred to profit or loss when the hedged item affects profit or loss, for example: when the net investment in a foreign operation is disposed of, resulting in a gain or loss or, in the case of an interest rate hedge, when interest payments associated with the contract are settled.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term investments, if any, with maturities upon acquisition of three months or less or that are redeemable at any time at full value and for which the risk of change in value is insignificant. Cash and cash equivalents are classified as held for trading, and initially and subsequently measured at fair value through profit or loss.

Cash equivalents are principally investments in money market funds in France that are readily convertible through redemption with the fund for an amount of cash that is subject to an insignificant risk of change in fair value.

Acquisition loan

Acquisition loan is classified as loans and receivables, measured initially at fair value and subsequently measured at amortized cost. The acquisition loan is reviewed for impairment at least at each reporting date to determine if there is any objective evidence that the financial asset is impaired. A provision for impairment of the acquisition loan is recognized when there is objective evidence that the REIT will not be able to recover balances in full. Changes in the provision for impairment of the acquisition loan is presented separately on the consolidated statement of earnings.

Exchangeable securities

The Exchangeable securities issued by the Trust's subsidiary, CCE, represent the financial interest not held by the REIT in controlled and consolidated subsidiaries when these interests are exchangeable into units of the REIT at the discretion of the holder. However, if upon maturity of the debt instruments, the unit price of the REIT's units are less than $10 per unit (the price at which the Exchangeable securities were initially issued), the REIT has the right to exchange the Exchangeable securities for 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. (Refer to note 15 for details of these financial interests and their maturity dates). Gains and losses on re-measurement to fair value are included in the consolidated statement of earnings in "Net change in fair value of Exchangeable securities". Transaction costs are expensed in the consolidated statement of earnings. Financial assets at fair value through profit or loss are classified as current except for the portion expected to be paid beyond twelve months of the balance sheet date, which is classified as non-current.

These Exchangeable securities are economically equivalent to, and exchangeable for, trust units of the REIT. This ownership interest was exercised through the purchase of interest bearing notes of CCE, the REIT's holding company for its European assets. These instruments, which are collectively referred to as the Exchangeable securities, are economically equivalent to and exchangeable at the option of Inovalis for units of the Trust.

In performing its obligations under the Management Agreement, Inovalis, is entitled to receive asset management fees. These asset management fees earned by Inovalis, in its role as manager of the REIT, are payable quarterly in arrears, entirely in Exchangeable securities.

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 CCE in lieu of payment for annual management fees is determined using the average quoted market price of the REIT's units on the Toronto stock exchange for the five days immediately preceding the transaction.

The Exchangeable securities acquired at the time of the Initial Public Offering are subject to the Initial Retained Interest Escrow whereby they will be automatically released from escrow to Inovalis on the third anniversary of the closing. During the Initial Retained Interest Escrow period, Inovalis is restricted from selling its Initial Retained Interest but will retain all ownership rights. Further, 50% of the Exchangeable securities issued for payment of management fees are subject to an escrow arrangement that only releases the Exchangeable securities after the termination of the Management agreement or after the internalisation 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 of internalization. Once the Exchangeable securities are released from escrow, it will be possible for Inovalis to receive one of the REIT's units for each of its Exchangeable securities.

The Exchangeable securities issued by CCE are exchangeable into Units of the Trust by virtue of the Exchange Agreement. 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.

For a period of three years following the IPO, payment of initial interest related to the interest bearing notes and repayment of the initial non-interest bearing notes are subordinated to the payment of cash distributions to the Unitholders, with the effect that distributions will only be paid on the Exchangeable securities held by Inovalis on a distribution date if the REIT has paid a distribution of at least $0.06875 per Unit to Unitholders in respect of the applicable month in which the applicable distribution date falls.

Tenant deposits

Tenant deposits are initially measured at their fair value. Under the effective interest rate method, the difference between the fair value and the nominal amount is deferred and recognised over time until the repayment date. The tenant deposits are also accrued every year to the nominal amount. Tenant deposits are classified as other financial liabilities, measured initially at fair value and subsequently at amortised cost using the effective interest rate method.

Mortgage and lease equalization loans

Mortgage and lease equalization loans bear interest. They are classified as other financial liabilities, recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Trade and other payables

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

Leases

Operating lease contracts - REIT as lessor

The REIT has entered into commercial property leases on its investment property portfolio. The REIT has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

Finance lease – REIT as lessee

Finance leases, which transfer to the REIT substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated income statement using the effective interest method.

Assets held under finance lease assets and finance lease liabilities are set out respectively in Note 7 – Investment properties and Note 12 – Mortgage loans and finance lease liabilities.

Revenue recognition

Rental income from investment properties

Rental income receivable 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.

Service charge expenses and income

Service charge and other property operating expenses are recognized in the period in which they are incurred. Service charge expenses that are recharged to tenants are recognized as service charge income in the period in which the charge becomes recoverable, which in turn is included in Net rental income.

Interest income and expenses

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

Distributions

Distributions to Unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of retained earnings.

Income 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. Indeed, according to article 11 of 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* because it has an "in-substance" exemption.

Foreign income taxes

The REIT's subsidiaries are subject to tax either on their taxable income or on a withholding basis under applicable legislation in France, Germany and Luxembourg. These subsidiaries account for their current or recovered taxes at the current enacted and substantively enacted tax rates and use the liability method to account for deferred taxes. The tax expense related to taxable subsidiaries for the period comprises current and deferred taxes.

The REIT's subsidiaries that hold the leasehold rights on the properties located in France are established in France and should therefore be considered as tax residents in France. Under current French tax legislation and on the basis that such subsidiaries intend to comply with their distribution obligations from an income tax perspective, they are corporate income tax exempt. A withholding tax should be levied in France on dividend distributions made by INOPCI 1 which is an OPCI (a collective undertaking for real estate investment) to CanCorpEurope.

CCE and CanCorpHanover ("CCH") are established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes. There is a minimum corporate income tax in Luxembourg under certain conditions whenever the corporation has zero or negative taxable income. Dividends and liquidation dividends derived by CCE from the French OPCI may be tax exempt in Luxembourg for corporate income tax and municipal business tax purposes. CCE will benefit from the Luxembourg participation exemption on any dividend income or liquidation proceeds received from CCH. CCH, which owns a property in Germany, will enter into leasing and sub-leasing agreement through which it will realize a spread profit. The Luxembourg/Germany double tax treaty should allocate to Germany an unlimited primary right to tax income deriving from such spread on the leasing agreements relating to the property in Germany. Also based on the Luxembourg/Germany double tax treaty, Luxembourg should exempt this income.

CCH and CCD (the "Lux Co") are Luxembourg limited liability companies that are managed in Luxembourg and, therefore, should not be considered to be tax resident of Germany for German tax purposes. However, the Lux Co would be subject to tax in Germany on its German source income. Provided the considered treatment of the head lease and sub-lease structure is achieved (i.e. the Lux Co Owners will be regarded as the beneficial owners of the Lux Co Properties for German tax purposes), the Lux Co would realize income from the sub-leasing of their respective property and would have expenses in the form of rental payments under the Vendor Lease entered into with the Lux Co Owners, whereas rental prepayment would generally be amortized over the period for which the prepayment was made. As the Lux Co's rental revenues would be German source income, such (net) income would be subject to German corporate income tax ("CIT"), even if the Lux Co are not German tax residents. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg because the Lux Co properties are located in Germany and income from German real estate is taxed in the country where the real estate is located. Currently, CIT applies at a rate of 15.825% (including a solidarity surcharge of 5.5%) on taxable net income. To determine taxable income for CIT purposes, a tax payer may deduct certain expenses incurred in connection with its German source income (e.g., with respect to the acquisition and ownership of real property and certain operating expenses) provided that such costs are incurred on arm's length terms.

Current income taxes

Where applicable, the current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date where the subsidiaries operate and generate taxable income. 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 on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Where applicable, deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

The carrying value of the REIT's investment properties will generally be realized by combination of income (rental stream during the period of use) and capital (the consideration on the sale at the end of use). The length of the period for which a property will be held prior to disposal is based on the REIT's current plans and recent experience with similar properties. 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 sale.

Deferred income tax assets and liabilities are measured at the tax rates that will apply to the period when it is expected that the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

Segment reporting

The REIT owns and operates a portfolio of investment properties located in France and Germany. These properties are all used to derive their 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

The preparation of the REIT's consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of revenues and investment properties owned directly and indirectly at the reporting date. However, uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of the 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:

Critical accounting judgments

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, *Business Combinations* ("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 or lower costs or other economic benefits directly and proportionately to the REIT. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. 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.

Critical accounting estimates

Valuation of investment properties

The fair value of investment properties is determined by independent real estate valuation experts using recognized valuation techniques. The technique principally used is the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets.

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash inflows associated with the real property.

The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. In the case of investment properties, periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net cash inflows, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The management group that determines the REIT's valuation policies and procedures for property valuations comprises the chief executive officer (CEO) and chief financial officer (CFO). Each year, the CEO and the CFO appoint, after approval from the audit committee, an external evaluator who is responsible for the external valuations of the REIT's property for the annual financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

In addition, the CEO and CFO are responsible for Inovalis' internal valuation department with regards to the REIT's properties. Inovalis' internal valuation department comprises a number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. Valuations for interim reporting purposes are performed internally by Inovalis' internal valuation department. Internal methods are aligned with those used by external evaluators. External valuations are obtained every six months to validate the internal valuations for interim reporting purposes or external evaluators are requested to confirm the main input variables used in the internal valuations. As at each year-end, all properties are valued by external evaluators.

The significant methods and assumptions used by the valuators in estimating the fair value of investment properties are set out in Note 7 – Investment properties.

Note 5 – Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after January 1, 2014

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2014. Information on these new standards is presented below:

Levies

IFRIC 21 clarifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period, then the entire obligation is recognised on that date and that the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has no effect on the annual financial statements but affects the allocation of the cost of certain property taxes between interim periods.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions and had no effect on the consolidated financial statements for any period presented.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

These amendments clarify the application of certain offsetting criteria in IAS 32, including the meaning of "*currently has a legally enforceable right of set-off*" and that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the REIT does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no effect on the consolidated financial statements for any period presented.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the REIT.

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the REIT. Information on those expected to be relevant to the REIT's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the REIT's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the REIT's financial statements.

IFRS 9 - Financial instruments (2014)

The IASB recently released IFRS 9 *'Financial Instruments'* (2014), representing the completion of its project to replace IAS 39 '*Financial Instruments: Recognition and Measurement'*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The REIT's management has yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *'Revenue'*, IAS 11 *'Construction Contracts'*, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

The REIT's management has not yet assessed the impact of IFRS 15 on these consolidated financial statements. IFRS 15 is effective for reporting periods beginning on or after January 1, 2017.

Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The REIT's only investment made to date in a joint arrangement (note 8) is characterised as a joint venture in which the REIT has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Accordingly, if adopted today, these amendments would have no impact on the consolidated financial statements.

The amendments are effective for reporting periods beginning on or after January 1, 2016.

Note 6 – Business combination

2014 acquisition of AREF portfolio group

On November 13, 2014, for a consideration of $16,706 in cash, the REIT acquired leasehold interests in two office rental properties (together referred to as the "AREF Portfolio group") located in the greater region of Paris, France, the related tenant portfolios and the management contract. The primary reason for the acquisition was to increase and diversify the REIT's portfolio of investment properties.

The transaction was accounted for as a business combination. The identifiable assets and liabilities of the acquired business were recognized based upon their respective fair values as of the transaction date. A summary is provided below:

Purchase price allocation	**AREF portfolio group at fair value**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Investment properties	65,142
Cash	1,310
Total identifiable assets acquired	66,452
Finance lease liabilities	(40,165)
Deferred rental income	(520)
Other liabilities (tenant deposits)	(772)
Total liabilities assumed	(41,457)
Fair value of net assets acquired	24,995
Consideration given by the REIT consists of the following:	
Cash	16,706
Consideration transferred by the REIT	16,706
Negative goodwill - recognized as a Gain from a bargain purchase	8,289

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

The excess of the fair value of the net assets acquired at the acquisition date over the consideration transferred by the REIT has been recognized in earnings as a Gain on bargain purchase. This gain is principally due to circumstances specific to the sale including improved market conditions and new tenants that occurred during the delay between the date the initial agreement was signed and the date of closing. These special circumstances allowed the purchase to be made at less than the fair value determined by external appraisers.

Acquisition-related costs relating to the AREF group amounting to $1,251 have been recognized in earnings as acquisition costs.

The amounts recognized as revenues and net profits in 2014 by the AREF portfolio group since acquisition were $644 and $7,205 respectively. If the AREF portfolio group had been acquired at the beginning of the REIT's annual reporting period, the amounts that would have been recognized as revenues and net profits would have amounted to approximately $2,715 and $110 respectively.

2013 Acquisition of initial properties

In April 2013, for a consideration of $96,348 in cash, the REIT acquired leasehold interests in three commercial properties located in the greater Paris region in France and one commercial property in the city of Hanover in Germany and the related tenant portfolios. The primary reason for the acquisitions was to allow the REIT to commence operations as a real estate investment trust.

The transaction was accounted for as a business combination. The identifiable assets and liabilities of the acquired businesses were recognized based upon their respective fair values as of the transaction dates, which according to the final sale agreements, were April 12, 2013 for the German property and April 16, 2013 for the French Properties respectively. A summary is provided below.

	France			Germany	Total
Purchase price allocation	**Vanves Leasehold**	**Jeuneurs Leasehold**	**Dubonnet Leasehold**	**Hanover Leasehold**	**Total Portfolio Fair Value**
Recognized amounts of identifiable assets acquired and liabilities assumed					
Investment properties	108,141	46,449	35,759	27,170	217,519
Other assets	-	-	224	-	224
Total identifiable assets acquired	**108,141**	**46,449**	**35,983**	**27,170**	**217,743**
Finance lease liabilities	(51,846)	(19,896)	(17,000)	(21,124)	(109,866)
Derivative financial instrument (interest rate swap)	-	-	-	(1,733)	(1,733)
Other liabilities assumed	-	-	-	(80)	(80)
Total liabilities assumed	**(51,846)**	**(19,896)**	**(17,000)**	**(22,937)**	**(111,679)**
Fair value of net assets acquired	**56,295**	**26,553**	**18,983**	**4,233**	**106,064**
Consideration given by the REIT consists of the following:					
Cash					96,348
Consideration transferred by the REIT					**96,348**
Negative goodwill - recognized as a Gain from a bargain purchase					**9,716**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Negative goodwill estimated at the acquisition date has been recognized as a Gain on bargain purchase in profit or loss. This gain resulted principally due to variances in the fair values of assets acquired and liabilities assumed between the time the purchase price was negotiated and the acquisition was finalized.

Acquisition related costs amounting to $3,324 have been recognized in earnings as acquisition costs.

During the measurement period, an adjustment to the fair value of the finance lease of the Jeûneurs leasehold had the effect of decreasing the finance lease liability and increasing the gain on bargain purchase price by $39.

The amounts recognized as revenues and net profits in 2013 by the acquired entities between the date of acquisition and December 31, 2013 were $15,368 and $9,221 respectively. If the investment properties had been acquired at the beginning of the REIT's 2013 annual reporting period, which was February 8, 2013, the date of incorporation of the Trust, the amounts that would have been recognized as revenues and net profits would have amounted to approximately $19,000 and $12,000 respectively.

Partial early payment of the Hanover's finance lease liability and swap settlement

As requested by the lessor of the Hanover property, the REIT made, at the acquisition date, a partial reimbursement of the finance lease liability attached to the property situated in Germany (Hanover) and settled the out-of-the money interest rate swap attached. The total cost of this transaction, which was for an amount of $5,498, was accounted for as a reduction in the liabilities in question.

Note 7 – Investment properties

Investment properties	**Note**	**For the year ended December 31, 2014**	**Period from February 8, 2013 to December 31, 2013**
Beginning of year		**244,900**	**-**
Additions, net of reimbursements		-	36
Acquisitions through business combinations	*6*	65,142	217,519
Amount derecognized upon exercise of early purchase option on lease	*12*	(122,420)	-
Amount recognized upon entry into new sales-leaseback arrangement	*12*	122,420	-
Transaction and transfer fees related to new sales-leaseback arrangement	*12*	2,633	-
Rent free period		1,997	1,389
Net change in fair value of investment properties		5,248	5,894
Foreign currency translation adjustment		(11,324)	20,062
End of year		**308,596**	**244,900**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

	As at December 31, 2014			As at December 31, 2013		
	France	Germany	Total	France	Germany	Total
Fair value of investment properties for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	197,590	23,900	221,490	149,640	20,500	170,140
Adjustments : finance lease purchase option execution fee	(1,662)	-	(1,662)	(2,741)	(288)	(3,029)
Adjusted market value in Euros	195,928	23,900	219,828	146,899	20,212	167,111
Exchange adjustment	79,117	9,651	88,768	68,380	9,409	77,789
Adjusted market value in CAD$	275,045	33,551	308,596	215,279	29,621	244,900
Date of evaluation	Dec 31, 2014	Dec 31, 2014		Dec 31, 2013	Dec 31, 2013	
Principal method used to value property	Discounted cash flow	Discounted cash flow		Discounted cash flow	Discounted cash flow	
Number of years used in cash flow projection	10	10		10	10	
Discount rate	5.4% to 7.9%	5.90%		5.5% to 7.5%	5.45%	
Weighted average discount rate	6.83%	5.90%		6.89%	5.48%	
Projected occupancy rate	100%	100%		100%	100%	
Actual occupancy rate at value date	100%	100%		100%	100%	
Impact on the fair value of investment properties of :						
an increase of 25 bps in discount rates	(10,069)	(1,422)	(11,491)	(7,811)	(1,351)	(9,163)
a decrease of 25 bps in discount rates	10,069	1,422	11,491	7,811	1,351	9,163

If both the discount rate and exit capitalization rate were to increase by 25 bps, the value of the properties would decrease by $11,491 (2013 – decrease of $9,163. If both the discount rate and exit capitalization rate were to decrease by 25 bps, the value of the properties would increase by $11,491 (2013 – increase of $9,163).

Significant increases (decreases) in the estimated rental value ("ERV") (per sqm p.a.) and rental growth p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit or yield) in isolation would result in a significantly lower (higher) fair value measurement.

Note 8 – Investment accounted for using the equity method

On July 3, 2014 the REIT disposed of 50% interest in its newly created wholly-owned subsidiary, CanCorp Duisburg I S.à r.l. ("CCD") in exchange for $9, and entered into a contractual agreement giving all parties control of the arrangement collectively and requiring unanimous vote of all such parties for all decisions about relevant activities, thus creating a joint arrangement. CCD is a private limited liability company incorporated under the laws of Luxembourg having its registered office in Luxembourg. This joint venture then proceded immediately therafter with the purchase of an office property located in Duisburg, Germany.

In conformity with IFRS 10, when the REIT lost control of CCD, it derecognised the assets and liabilities of its former subsidiary from its consolidated balance sheet and recognised the investment retained in the former subsidiary at its fair value at the time control was lost. At the time control was lost, CCD was in a deficit position and this deficit was funded solely by an intercompany loan due to the REIT. Consequently, the fair value of the equity component of the REIT's investment in CCD was estimated at 50% of the value of CCD's net deficit or $241. The difference between the negative fair value of the investment retained and the sum of the net liabilities derecognised and the cash received was recognized in the gain on disposal of $250. In addition, the REIT made an interest-bearing loan of 10,400 Euros ($15,200) to CCD bearing an interest rate of 10%, which is repayable on demand.

This acquisition was accounted for by CCD as an asset acquisition rather than a business combination, because the acquisition did not involve the transfer of any management processes.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Outlined below is a breakdown of the carrying amounts of the components of the investment in the CCD joint venture:

Carrying amount of investment in a joint venture	**For the year ended December 31, 2014**
Balance at the beginning of the year	-
Net Carrying amount of equity investment in joint venture	3,668
Net Carrying amount of interest-bearing loan to joint venture	14,639
Balance at the end of the year	18,307

Summarized financial information regarding CCD	**As at December 31, 2014**
Balance Sheet	
Investment property	70,892
Deferred tax asset	164
Cash and cash equivalents	1,948
Other current assets	364
Total assets	73,368
Non-current financial liabilities	62,953
Current liabilities	1,558
Deferred tax liability	1,612
Total liabilities	66,123
Equity	7,245
Total liabilities and equity	73,368

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Summarized financial information regarding CCD	For the 180 day period ended December 31, 2014
Income statement	
Net rental income	2,143
Operating profit	11,576
Finance expense	(1,925)
Earnings from continuing operations	9,651
Current income tax expense	12
Deferred income tax expense	(1,513)
Earnings for the year	8,150
Other comprehensive income	(422)
Total comprehensive income	7,728
Pro rata share of post-acquisition earnings recognized in the Consolidated financial statements	
Beginning of the year	-
50% pro rata share of Profit for the year	4,076
Add interest earned from loan to CCD	376
End of the year	4,452

Note 9 – Acquisition Loan

On November 6, 2014, Metropolitan LLC, a wholly-owned subsidiary of the REIT, made a loan to Inovalis in the amount of 12,500 Euros ($17,740) so that Inovalis could acquire a property in the greater metropolitan area of Paris France (the "Metropolitan Property"). The loan bears interest at a rate of 8.75% for three years (with an option to extend for one year), is secured by a share pledge from a holding company owned by Inovalis (which also owns another property in the Greater Paris Region) and includes a right of first opportunity in favour of the REIT to purchase the Metropolitan property at a discount to the then fair value when the property meets the investment criteria of the REIT (the "REIT ROFO"), should Inovalis decide to sell the building. If the REIT ROFO is not exercised and the Metropolitan Property is sold by Inovalis to a third party, Metropolitan LLC shall receive 50% of the profit generated by the sale of the property less all interest received on the Acquisition Loan. Whether the REIT exercises its option to buy the property or the property is sold to a third party, the REIT will receive 50% of the profit generated by the sale of the property less all interests received on the acquisition Loan, in the first case in the form of a discount to the price and in the second case in the form of a cash gain.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 10 – Trade and other receivables

	As at December 31, 2014	As at December 31, 2013
Trade receivables	1,064	507
Trade receivables - Inovalis	393	346
Trade receivables	**1,457**	**853**
Other receivables	1,089	266
Other receivables - CCD	62	-
Other receivables - Inovalis	244	-
Other receivables	**1,395**	**266**
Total trade and other receivables	**2,852**	**1,119**

As at December 31, 2014, none of the REIT's Trade or other receivables is past due or impaired (none as at December 31, 2013).

Note 11 – Restricted cash and other financial assets

	As at December 31, 2014	As at December 31, 2013
Restricted cash as collateral for hedge - non-current	309	1,813
Other financial assets	-	245
	309	2,058
Restricted cash as collateral for hedge - current	291	1,236
Total restricted cash and other financial assets	**600**	**3,294**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 12 – Mortgage loans and finance lease liabilities

Entity	Nominal value (in 000's of €)	Nominal value (in 000's of $)	Interest rate	Maturity	As at December 31,2014 Total	Non-current	Current
Mortgage loan - Véronèse SCI	14,500	20,355	Euribor 3M + 1,75%[1]	2019-05-05	20,128	20,128	-
Mortgage loan - Jeûneurs SCI	19,500	27,374	Euribor 3M + 1,75%[1]	2019-05-05	27,022	27,022	-
Mortgage loans	**34,000**	**47,729**			**47,150**	**47,150**	**-**
Finance lease liabilities - BBA SCI	57,518	80,742	Euribor 3M + 2.00%[2]	2026-06-20	80,742	77,780	2,962
Finance lease liabilities - CanCorpHanover	12,857	18,049	Euribor 3M + 0.82%	2023-06-30	17,314	16,474	840
Finance lease liabilities - Sabliere SCI	10,305	14,466	Euribor 3M + 1.05%	2017-06-09	14,229	12,998	1,231
Finance lease liabilities - Baldi SCI	18,438	25,883	Euribor 3M + 1.00%	2017-09-30	25,386	23,428	1,958
Finance lease liabilities	**99,118**	**139,140**			**137,671**	**130,680**	**6,991**
Total mortgage loan and finance lease liabilities	**133,118**	**186,869**			**184,821**	**177,830**	**6,991**

Note 1 : Interest rate is subject to a CAP - see note 15 *Financial derivatives and hedging activities*

Note 2 : Interest rate is subject to SWAP - see note 15 *Financial derivatives and hedging activities*

Entity	Nominal value (in 000's of €)	Nominal value (in 000's of $)	Interest rate	Maturity	As at December 31,2013 Total	Non-current	Current
Finance lease liabilities - BBA SCI	37,287	56,746	Euribor 3M + 1.15%	2016-12-02	54,645	50,011	4,634
Finance lease liabilities - Véronèse SCI	12,026	17,825	Euribor 3M + 1.20% & Euribor 3M + 2.20%	2015-10-16	17,624	15,767	1,857
Finance lease liabilities - Jeûneurs SCI	14,250	22,170	Euribor 3M + 1.05%	2019-01-13	20,882	18,951	1,931
Finance lease liabilities - CanCorpHanover	13,372	19,597	Euribor 3M + 0.82%	2023-06-30	18,477	17,844	633
Total finance lease liabilities	**76,935**	**116,338**			**111,628**	**102,573**	**9,055**

In these leases, the REIT has the option to purchase each of the properties at the end of their respective leases. The fixed price of the option to purchase is expected to be lower than the fair value at the date the option becomes exercisable.

Explanation of principal changes during the year

In preparation for its planned acquisition of a 50% interest in a new investment property in Duisburg, Germany, the REIT refinanced its existing investment properties in France. This was done in two steps as follows:

First, on May 5, 2014, the REIT exercised its option to purchase the Jeûneurs and Veronese investment properties that had, up to the moment of the transaction, been leased by its Jeûneurs SCI and Véronèse SCI subsidiaries respectively. Concurrently, the REIT entered into a mortgage loan agreement with ING Bank. The mortgage loan, which had a principal amount of 34,000 Euros, is comprised of two tranches – one of 19,500 Euros for the Jeûneurs property and one of 14,500 Euros for the Veronese property. The mortgage loan has a term of five years maturing on May 5, 2019. The loan agreement does not specify any significant requirements for principal repayments, except at maturity. Interest payments, which will be made quarterly on March 31, June 30, September 30, and December 31, will be variable, based on the 3 month EURIBOR rate plus a spread of 1.75%. The EURIBOR portion of the interest payments has been hedged using an interest rate cap with a strike price of 2%. For more information regarding the hedges, refer to note 16 - Financial derivatives and hedging activities.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Second, on June 20, 2014, the REIT exercised its option to purchase the BBA investment property that had, up to the moment of the transaction, been leased by its BBA SCI subsidiary. Concurrently, the REIT entered into a sale-leaseback arrangement with CMCIC LEASE S.A. The lease is for a total amount of 83,700 Euros, less a down-payment of 25,100 Euros giving a net lease amount of 58,600 Euros. The lease has a term of twelve years maturing on June 20, 2026. The rent, which is paid quarterly in advance, includes a component representing the repayment of capital and a component representing the repayment of interest. The interest charges will be variable, based on the 3 Month EURIBOR rate plus a spread of 2%. The EURIBOR portion of the interest charges have been hedged using an interest rate swap with a fixed rate of 0.685%. For more information regarding the hedges, refer to note 16 - Financial derivatives and hedging activities.

The exercise of these options together with transaction costs amounted to a cash payment of $100,095. Finance lease liabilities amounting to $92,127 were derecognized and a loss on the exercise of early payment option of finance leases of $7,968 was recognized.

Minimum lease payments and the present value of finance lease liabilities are as follows:

	As at December 31,2014		As at December 31, 2013	
Carrying value and minimum lease payments	**Carrying value**	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	6,991	9,530	9,055	9,567
After 1 year, but not more than 5 years	55,448	66,294	76,380	84,756
More than 5 years	75,232	83,601	26,193	31,054
	137,671	**159,425**	**111,628**	**125,377**
Less : future interest costs		(21,754)		(13,749)
Total carrying value and present value	**137,671**	**137,671**	**111,628**	**111,628**

Note 13 – Lease equalization loans

			As at December 31,2014		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Lease equalization loan - BBA SCI	5%	2021-09-30	3,108	2,860	248
Lease equalization loan - Véronèse SCI	5%	2019-09-30	241	241	-
Total lease equalization loans			**3,349**	**3,101**	**248**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

			As at December 31,2013		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Lease equalization loan - BBA SCI	5%	2021-09-30	1,291	1,291	-
Lease equalization loan - Véronèse SCI	5%	2019-09-30	179	179	123
Total lease equalization loans			**1,470**	**1,470**	**123**

Inovalis entered into Lease Equalization Agreements on April 10, 2013 with certain of the REIT's subsidiaries, 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 property and the Veronese property.

Under the Lease Equalization Agreements, Inovalis is required to make payments to BBA SCI 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 $4,481 in the aggregate, and BBA SCI will be required to make payments to Inovalis, on a quarterly basis during the period commencing on October 1, 2015 and ending on September 30, 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 $4,481 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.

Inovalis is also required to make payments to Véronèse SCI on a quarterly basis during the period commencing on April 16, 2013 and ending on September 30, 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 $348 in the aggregate, and Véronèse SCI will be required to make payments to Inovalis, on a quarterly basis during the period commencing on October 1, 2015 and ending on September 30, 2019, corresponding to the difference between actual lease payments over such period and the average lease payments over the term of the lease, which is $348 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.

Note 14 – Tenant deposits

Tenants' deposits amounted to $2,006 as at December 31, 2014, $1,626 of which is classified as non-current. As at December 31, 2013, tenants' deposits were $1,189 all of which was classified as non-current.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 15 – Exchangeable securities

	Investment by Inovalis in CanCorpEurope S.A.				Exchangeable securities	
Exchangeable securities issued and outstanding	**Common shares (number)**	**Investment in shares and share premium**	**Investment in debt instruments[1]**	**Total investment**	**Number of Exchangeable securities**	**Carrying amount of Exchangeable securities**
Balance - February 8, 2013					-	-
Transactions in 2013						
Initial investment at the time of the IPO, including the overallotment	170	1,198	11,360	12,558	1,255,762	12,558
Asset management fees paid in Exchangeable securities	-	113	1,085	1,198	132,923	1,198
Distribution of Exchangeable securities paid in the form of reimbursement of notes	-	-	(161)	(161)	-	-
Net change in fair value of Exchangeable securities	-	-	-	-	-	(1,522)
Foreign currency translation adjustment	-	-	1,214	1,214	-	-
Balance - December 31, 2013	**170**	**1,311**	**13,498**	**14,809**	**1,388,685**	**12,234**
Transactions in 2014						
Asset management fees paid in Exchangeable securities	-	182	1,725	1,907	200,896	1,907
Distribution of Exchangeable securities paid in the form of reimbursement of notes	-	-	(820)	(820)	-	-
Share offering in 2014	-	-	4,111	4,111	453,766	4,111
Net change in fair value of Exchangeable securities	-	-	-		-	(107)
Foreign currency translation adjustment	-	-	(615)	(615)	-	-
Balance - December 31, 2014	**170**	**1,493**	**17,899**	**19,392**	**2,043,347**	**18,145**

At the end of the year, the outstanding balances of the debt instruments payable by CanCorpEurope to Inovalis S.A. were as follows:

Debt instruments	**Nominal interest rate**	**Maturity date**	**Amount as at December 31, 2014**	**Amount as at December 31, 2013**
Interest bearing note	9.00%	10 April 2028	9,786	5,988
Interest bearing note	4.50%	10 April 2028	1,701	1,575
			11,487	7,563
Non-interest bearing note		10 April 2028	6,412	5,935
			17,899	13,498
Less current portion			(1,462)	(647)
Non-current portion of debt instruments			**16,437**	**12,851**

[1]The debt instruments issued by CanCorpEurope in favour of Inovalis S.A. mature on April 10, 2028, unless Inovalis S.A. exercises its exchange privileges prior to that date. The difference between the carrying amount of the Exchangeable securities at the end of the current reporting period and the amount that the REIT would be contractually required to pay at maturity to the holder of the debt instruments is $246. The REIT would not be required to pay any amount for the Investment in shares & share premium.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Exchangeable securities	Amount as at December 31, 2014	Amount as at December 31, 2013
Exchangeable securities	18,145	12,234
Less current portion	(1,482)	(586)
Non-current portion of Exchangeable securities	**16,663**	**11,648**

2014

In connection with the sale of units that the REIT realized in November 2014, Inovalis, who acts as the manager of the REIT, acquired 453,766 additional Exchangeable securities to maintain its approximate 10% ownership interest in the REIT, at a price per unit of $9.06 that was based on the 5-day Volume Weighted Average Price ("VWAP") on the closing date of the issue. This transaction was not subject to any underwriting commission.

	As at December 31,2014			
Exchangeable securities in escrow until internalization of management	**Number in escrow - presented as non-current**	**Number not in escrow - presented as current**	**Total number of Exchangeable securities**	**Carrying amount of Exchangeable securities**
Securities issued at the time of the IPO	1,255,762		1,255,762	11,151
Securities issued in lieu of asset management fees	166,910	166,909	333,819	2,964
Securities issued at the time of the share offering in 2014	453,766	-	453,766	4,030
Total number of Exchangeable securities outstanding - end of year	1,876,438	166,909	2,043,347	18,145
Classification of liability for Exchangeable securities	16,663	1,482		18,145

2013

As part of the Initial Public Offering ("IPO") that the REIT realized in April 2013, Inovalis purchased, at the offering price of $10 per unit, an approximate 10% ownership interest in the REIT on a fully exchangeable basis. This ownership interest was exercised through the purchase of interest bearing notes, non-interest bearing notes and common shares of CCE, the REIT's holding company for its European assets.

When the overallotment option was exercised by the Underwriters shortly after the Initial Public Offering in April 2013, Inovalis purchased 10% of the units in order to maintain its overall 10% ownership in the REIT. Subsequently, to convert these units into Exchangeable securities, 10% of the units issued in the overallotment, or in other words the 87,000 units purchased during the overallotment by Inovalis, were cancelled by the REIT. Concurrently, the proceeds of $870,000 related to those units were transferred by the REIT to CCE, where they were invested in Exchangeable securities in favour of Inovalis.

	As at December 31, 2013			
Exchangeable securities in escrow until internalization of management	**Number in escrow - presented as non-current**	**Number not in escrow - presented as current**	**Total number of Exchangeable securities**	**Carrying amount of Exchangeable securities**
Securities issued at the time of the IPO	1,168,762	-	1,168,762	10,297
Securities issued in connection with the overallotment	87,000	-	87,000	766
Securities issued in lieu of asset management fees	66,462	66,461	132,923	1,171
Total number of Exchangeable securities outstanding - end of year	1,322,224	66,461	1,388,685	12,234
Classification of liability for Exchangeable securities	11,648	586		12,234

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

During the reporting period ended December 31, 2013, the REIT made a repayment of the interest bearing notes in the amount of $161. By mutual agreement between Inovalis and the REIT, this amount was considered to be a distribution related to the Exchangeable securities rather than a transaction that would affect the number of Exchangeable securities outstanding.

In the event that, on or after April 10, 2028, the units of the REIT have a current market price of less than $10, the REIT shall have the right to require Inovalis to exchange all of its Exchangeable securities for units of the REIT at a price determined using the average quoted market price of the REIT's units on the Toronto stock exchange for the five days immediately preceding the transaction.

The Exchangeable securities represent a financial liability and were designated at fair value through profit or loss.

Distributions in respect of Exchangeable securities:

The Exchangeable securities entitle the holders to cash distributions from CCE 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 year ended December 31, 2014 and the period ended December 31, 2013:

	For the year ended December 31, 2014	For the period from February 8, 2013 to December 31, 2013
Securities issued at the time of the IPO	213	-
Declared and recognized in earnings during the year	1,267	752
Accrued or paid in cash in the form of interest on interest bearing notes issued by CanCorpEurope S.A.	(625)	(378)
Paid in cash in the form of repayment of interest bearing notes issued by CanCorpEurope S.A.	(820)	(161)
Amount payable at the end of the year	**35**	**213**
Weighted average number of Exchangeable securities outstanding	1,528,074	1,245,250
Distributions paid per unit (based on weighted average Exchangeable securities outstanding)	0.9456	0.4328
Distributions paid per unit (based on annualized basis)	0.8250	0.8250

Note 16 – Financial derivatives and hedging activities

On April 22, 2014, the REIT proceeded with the settlement of the 24 foreign exchange contracts still outstanding from its original economic hedging strategy entered into shortly after the initial public offering in April 2013. These contracts provided for the monthly purchase of $722 Canadian at an exchange rate of 1.3211 Canadian dollars per euro. The settled contracts covered monthly periods up to and including April 16, 2016. A loss of approximately $2,800 was realized at the time of settlement. Approximately $2,500 of this unrealized loss had been previously recognized in earnings since these contracts were not accounted for as hedging instruments.

Subsequent to this settlement, the REIT entered into a series of 36 monthly foreign currency hedge contracts whereby the REIT can purchase $750 each month at an exchange rate of 1.54374 Canadian dollars per euro. The new contracts cover monthly periods up to and including April 13, 2017. These contracts have been designated as hedges of the REIT's net investment in a foreign operation.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Included in the new financing arrangements described in Note 12, are an interest rate SWAP and an interest rate CAP. These features of the new financing arrangements have been separated from the main contracts and accounted for and measured separately. These arrangements are settled on a net basis at every interest payment date. These contracts have been designated as cash flow hedges.

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

		Period covered		Coversion from/to			As at December 31, 2014		As at December 31, 2013	
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Total notional amount**	**Fair value**
Foreign exchange - new	28	2015-01-01	2017-04-13	486	750	1.54374	21,000	1,567		
Interest rate SWAP	1	2015-01-01	2019-07-01	Variable	Fixed	0.685%	82,181	(1,682)		
Interest rate CAP	2	2014-12-29	2019-05-05	Variable	Capped	2.000%	47,729	69		
Foreign exchange - old	28	2014-01-14	2016-04-14	546	721	1.3211			20,188	(2,471)
								(46)		**(2,471)**

Note 17 – Trade and other payables

	As at December 31, 2014	As at December 31, 2013
Trade payables	1,786	1,320
Trade payables - Inovalis	942	228
Trade payables	**2,728**	**1,548**
Other payables	1,015	16
Other payables - Inovalis	825	821
Distributions payable	1,050	776
Distributions payable - Inovalis	35	213
Other payables	**2,925**	**1,826**
Total trade and other payables	**5,653**	**3,374**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 18 – Trust Units and Accumulated other comprehensive income

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 termination of the REIT, in the net assets of the REIT remaining after 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 15 – Exchangeable securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at December 31, 2014, 2,043,347 Special Voting Units were issued and outstanding (2013 - 1,388,685).

2014

On November 6, 2014, the REIT completed the issue of Units to the public pursuant to a public offering for gross proceeds of $37,000 through the issuance of 3,978,500 Units at $9.30 per Unit. Costs relating to the issuance of Units, including underwriters’ fees, amounting to $2,845 were charged directly to Equity.

2013

On April 10, 2013, the REIT completed the issue of Units to the public pursuant to the Initial Public Offering for gross proceeds of $105,000 through the issuance of 10,500,000 Units at $10 per Unit and pursuant to the exercise of an over-allotment option by the underwriters of the offering, additional gross proceeds of $8,700 through the issuance of 870,000 Units at $10 per Unit. Costs relating to the issuance of Units, including underwriters’ fees, were $14,129 (of which $522 relating to over-allotment) and were charged directly to Equity.

Accumulated other comprehensive income

	As at December 31, 2014	**As at December 31, 2013**
Net changes in unrealized gains on derivatives designated as a hedge on the net investment in a foreign entity	1,942	-
Net changes in unrealized losses on interest rate derivatives designated as a cash flow hedge	(2,115)	-
Cumulative translation adjustment account	7,489	13,671
Accumulated other comprehensive income	**7,316**	**13,671**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 19 – Revenue

Revenue	For the year ended December 31, 2014	For the period from February 8, 2013, to December 31, 2013
Regular rents	16,685	11,134
Amortization of rent free periods (lease incentives)	1,997	1,389
Rental income	18,682	12,523
Service charge income	4,696	2,845
Total revenue	**23,378**	**15,368**

In 2014, two tenants account for more than 10% of rental income: the first one for 30.3% and the second one for 13.3%. In 2013, each of them accounted for 44.4% and 17.5% respectively.

Future minimum lease payments receivable under non-cancellable operating leases	As at December 31, 2014	As at December 31, 2013
Within 1 year	18,814	18,436
After 1 year, but not more than 5 years	70,631	70,303
More than 5 years	3,856	32,606
Future minimum lease receivable under non-cancellable operating leases	**93,301**	**121,345**

Note 20 – Administration expenses

	For the year ended December 31, 2014	For the period from February 8, 2013, to December 31, 2013
Asset management fees - Inovalis	(1,907)	(1,198)
Asset selling charges	-	(35)
Less: amount reinvoiced to joint venture	114	-
	(1,793)	(1,233)
Other general and administrative expenses	(1,762)	(1,586)
Total administration expenses	**(3,555)**	**(2,819)**

Other general and administrative expenses include accounting and bookkeeping fees, legal and consulting fees, statutory auditors' fees, costs related to shareholder relations and, where applicable, non-refundable VAT.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 21 – Finance costs and finance income

	For the year ended December 31, 2014	For the period from February 8, 2013, to December 31, 2013
Interest on mortgage loans	(641)	-
Interest costs related to finance leases	(2,041)	(1,174)
Interest costs related to lease equalization loans	(123)	-
	(2,805)	(1,174)
Interest SWAP	(198)	-
Other finance costs	(262)	(22)
Standby charge on finance lease during approval period	(37)	(35)
	(3,302)	(1,231)
Amortization of fair value adjustment on finance leases assumed at a discount at the time of a business acquisition	(516)	(1,093)
Amortization of transaction costs on mortgage loans	(307)	-
Finance costs	(4,125)	(2,324)
Finance income	15	21
Finance income from Inovalis	227	-
Finance income from CCD	376	-
Finance income	**618**	**21**
Net Finance costs	**(3,507)**	**(2,303)**

Note 22 – Income taxes

The Trust qualifies as a Real Estate Investment Trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes. Accordingly, no provision for Canadian current income tax payable is required. The Trust consolidates certain wholly-owned incorporated entities that remain subject to tax. The tax disclosures and expense relate only to these entities.

The major components of income tax expense for the years ended December 31 are:

Income tax expense	For the year ended December 31, 2014	For the period from February 8, 2013, to December 31, 2013
Income tax expense		
Income tax expense	9	13
Deferred income tax expense		
Relating to origination and reversal of temporary differences	992	-
Income tax expense reported in the statement of earnings	**1,001**	**13**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

	Balance Sheet		Statement of Earnings	
Deferred tax liability	**As at December 31, 2014**	**As at December 31, 2013**	**For the year ended December 31, 2014**	**For the period from February 8, 2013, to December 31, 2013**
Revaluations of investment property to fair value	**949**	-	**1,001**	-
Reflected on balance sheet as follows:				
Deferred tax liabilities	**949**	-		

The income tax expense amounting to $13 for the period from February 8, 2013 to December 31, 2013 arises due to the minimum corporate income tax in Luxembourg.

Note 23 – Earnings per Unit

The REIT has classified the Units that it issued as equity pursuant to the provisions of IAS 32, *Financial Instruments: Presentation*, on the basis that the Units meet all of the criteria in IAS 32 for such classification, also referred to as the "puttable exemption"(Note 3 – Significant accounting policies).

(a) Basic earnings per Unit

Basic earnings per unit is calculated by dividing the profit attributable to the Unitholders of the REIT by the weighted average number of Units outstanding during the period.

Basic earnings per Unit	**For the year ended December 31, 2014**	**For the period from February 8, 2013, to December 31, 2013**
Net earnings attributable to unitholders	16,545	17,381
Weighted average number of units outstanding	11,891,720	11,334,375
Basic earnings per unit	**1.39**	**1.53**

(b) Diluted earnings per Unit

Diluted earnings per unit is calculated by adjusting the weighted average number of Units outstanding to assume conversion of all dilutive potential Units. The REIT has one category of dilutive potential Units: the Exchangeable securities. Refer to Note 15 - Exchangeable securities for the number of Exchangeable securities outstanding.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Diluted earnings per Unit	**For the year ended December 31, 2014**	**For the period from February 8, 2013, to December 31, 2013**
Net earnings attributable to unitholders	16,545	17,381
Distributions recognized on Exchangeable securities	1,267	752
Net change in fair value of Exchangeable securities	(107)	(1,522)
Net earnings attributable to diluted unitholders	**17,705**	**16,611**
Weighted average number of units outstanding	11,891,720	11,334,375
Weighted average number of Exchangeable securities outstanding	1,528,074	1,245,250
Weighted average number of units used for diluted earnings per unit	13,419,794	12,579,625
Diluted earnings per unit	**1.32**	**1.32**

The weighted average number of units outstanding for 2013 was calculated starting April 10, 2013, the date of the IPO.

Note 24 – Distributions

	For the year ended December 31, 2014	**For the period from February 8, 2013, to December 31, 2013**
Amount payable at the beginning of the year	776	-
Declared and recognised during the period	9,864	6,771
Distributions paid in units (Distribution Reinvestment Plan)	(136)	(18)
Paid in cash	(9,454)	(5,977)
Amount payable at the end of the year	1,050	776
Total distributions	**9,864**	**6,771**
Distributions paid per unit (based on weighted average number of units outstanding)	0.8064	0.5289
Distributions paid per unit (based on an annualized basis)	0.8250	0.8250

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. The DRIP provides an efficient and cost-effective way for the REIT to issue additional equity to existing Holders.

On December 17, 2014, the distribution for the month of December was declared, amounting to a total distribution of $1,050. This amount was paid on January 15, 2015.

The REIT's Declaration of Trust endeavours 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.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Distributions in respect of Exchangeable securities are detailed in Note 15 – Exchangeable securities.

Note 25 – Risk arising from financial instruments

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

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 finance leases and mortgage loans.

The interest rate risk is mitigated by the REIT's hedging strategy on mortgage loans and on the finance lease liabilities of BBA SCI. At December 31, 2014, after taking into the effect of interest rate swap and interest rate cap, 69 % of the REIT's long term debt obligation are hedged (2013 : n/a).

The following table illustrates the sensitivity of profit or loss and equity to a reasonably possible change in interest rates. These changes are considered to be reasonably possible based on the observation of current market conditions. More specifically, it was considered that any further decreases in the interest rates would be unlikely or insignificant given the low rates at the period end. The calculations are based on a change in the average market rate for each period presented, and the finance leases held at the reporting date that were sensitive to changes in the interest rates. All other variables are held constant.

	As at December 31,2014	
Interest rate sentivity	**Impact on profit and loss**	**Impact on Equity**
Reasonably possible increase in interest rates	100 basis points	100 basis points
Annualized impact of an increase on profit and loss and equity	(1,849)	(1,849)

	As at December 31,2013	
Interest rate sentivity	**Impact on profit and loss**	**Impact on Equity**
Reasonably possible increase in interest rates	100 basis points	100 basis points
Annualized impact of an increase on profit and loss and equity	(1,116)	(1,116)

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Currency risk

		As at December 31,2014		
		Exposure to Euro		
Financial assets and liabilities denominated in foreign currencies		**Short-term exposure**	**Long-term exposure**	**Total**
Monetary assets denominated in other than functional currency		19,193	12,500	31,693
Monetary liabilities denominated in other than functional currency		(2,722)	-	(2,722)
Net exposure in respect of monetary items denominated in other than functional currency		16,471	12,500	28,971
Net exposure in respect of foreign currency exchange contracts (notional buy amount in CAD$)		(9,000)	(12,000)	(21,000)
Net exposure		7,471	500	7,971
Impact on	% change	Net income	OCI	Total
Gain or (loss) in the event of an increase in the value of the Euro/CAD$	10%	747	50	797
Gain or (loss) in the event of a decrease in the value of the Euro/CAD$	-10%	(747)	(50)	(797)

		As at December 31, 2013		
		Exposure to Euro		
Financial assets and liabilities denominated in foreign currencies		**Short-term exposure**	**Long-term exposure**	**Total**
Monetary assets denominated in other than functional currency		507	-	507
Monetary liabilities denominated in other than functional currency		-	-	-
Net exposure in respect of monetary items denominated in other than functional currency		507	-	507
Net exposure in respect of foreign currency exchange contracts (notional buy amount in CAD$)		(8,652)	(11,536)	(20,188)
Net exposure		(8,145)	(11,536)	(19,681)
Impact on	% change	Net income	OCI	Total
Gain or (loss) in the event of an increase in the value of the Euro/CAD$	10%	(1,969)	-	(1,969)
Gain or (loss) in the event of a decrease in the value of the Euro/CAD$	-10%	1,967	-	1,967

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 has implemented an economic foreign exchange hedging program. As such, the exchange rate relating to 73% of the REIT's current distributions are secured by these foreign currency forward contracts until April, 2017. Refer to note 16 for a summary of the foreign exchange contracts in place.

Credit risk

Credit risk is the risk that counterparty 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 financing activities, including the acquisition loan with Inovalis, derivatives, deposits with banks and financial institutions and indirectly exposed via its investments in units of a money market mutual fund, which are accounted for as cash equivalents. The REIT's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at December 31.

In respect of trade receivables, the REIT is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about custom default rates, management considers the credit quality of trade receivables to be good.

Tenant receivables

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

Cash deposit, cash equivalents and derivatives

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

Acquisition loan to Inovalis

The credit risk for the acquisition loan to Inovalis is not considered to be significant because the REIT is secured by a share pledge from a holding company owned by Inovalis (which also owns another property in the Greater Paris Region) and management considers the credit quality of Inovalis to be good.

Liquidity risk

The REIT’s objective is to maintain a balance between continuity of funding and flexibility through the use of 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 (which are set up for the next twelve months) and through updates and follow-up of the 3 to 5 year business plan.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The REIT’s liquidity position is monitored on a regular basis by management. A summary table with the maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at the company level.

Long term debt service projections are reviewed on a quarterly basis, playing a key role in strategic decisions for the REIT's operation.

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

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

As at December 31, 2014	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	225	672	51,084	-	51,981
Finance leases principal and interest	2,382	7,148	66,294	83,601	159,425
Lease equalization loans	42	374	2,274	1,161	3,851
Exchangeable securities (value of securities plus interest on notes)	239	718	958	18,857	20,772
Tenant deposits	-	380	543	1,083	2,006
Derivative financial instruments	201	565	2,507	-	3,273
Trade and other payables	5,618	35	-	-	5,653
Total	**8,707**	**9,892**	**123,660**	**104,702**	**246,961**

As at December 31, 2013	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Finance leases principal and interest	158	9,409	84,756	31,054	125,377
Lease equalization loans	18	55	74	1,544	1,691
Exchangeable securities (value of securities plus interest on notes)	153	457	610	14,108	15,328
Tenant deposits	-	-	379	810	1,189
Derivative financial instruments	244	765	1,505	-	2,514
Trade and other payables	3,161	213	-	-	3,374
Total	**3,734**	**10,899**	**87,324**	**47,516**	**149,473**

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Classification of financial instruments

The following tables summarize the classification of the REIT's financial instruments as at December 31, 2014 and 2013.

	As at December 31,2014				
	Measured at Fair Value		Measured at amortized cost		
	Classified as Held for trading	Designated as FVTPL[1]	Loans and Receivables	Financial liabilities	Total
Financial assets					
Other financial assets	-	-	600	-	600
Trade and other receivables	-	-	2,852	-	2,852
Acquistion loan	-	-	17,548	-	17,548
Derivative financial instruments	1,636	-	-	-	1,636
Cash and cash equivalents	-	-	24,185	-	24,185
Total financial assets	1,636	-	45,185	-	46,821
Financial liabilities					
Mortgage loans	-	-	-	47,150	47,150
Lease equalization loans	-	-	-	3,349	3,349
Tenant deposits	-	-	-	2,006	2,006
Derivative financial instruments	1,682	-	-	-	1,682
Exchangeable securities	-	18,145	-	-	18,145
Trade and other payables	-	-	-	5,653	5,653
Total financial liabilities	1,682	18,145	-	58,158	77,985

1 - Fair value through profit or loss

	As at December 31,2013				
	Measured at Fair Value		Measured at amortized cost		
	Classified as Held for trading	Designated as FVTPL[1]	Loans and Receivables	Financial liabilities	Total
Financial assets					
Other financial assets	-	-	3,294	-	3,294
Trade and other receivables	-	-	1,119	-	1,119
Cash and cash equivalents	-	-	6,120	-	6,120
Total financial assets	-	-	10,533	-	10,533
Financial liabilities					
Lease equalization loans	-	-	-	1,470	1,470
Tenant deposits	-	-	-	1,189	1,189
Derivative financial instruments	2,471	-	-	-	2,471
Exchangeable securities	-	12,234	-	-	12,234
Trade and other payables	-	-	-	3,374	3,374
Total financial liabilities	2,471	12,234	-	6,033	20,738

1 - Fair value through profit or loss

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Fair value of assets and liabilities

The following table provides a comparison of the carrying amounts and fair value of the REIT's finance leases and 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, 2014	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Acquisition loan	2	17,548	17,548
Financial liabilities			
Mortgage loans	2	47,150	47,150
Finance leases	2	137,671	136,341
Lease equalization loans	3	3,349	3,351
Tenant deposits	3	2,006	1,991

As at December 31, 2013	Fair value hierarchy level	Carrying amount	Fair value
Financial liabilities			
Finance leases	2	111,628	111,001
Lease equalization loans	3	1,470	1,470
Tenant deposits	3	1,189	961

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

- The fair value of the acquisition loan is estimated using the nominal amounts expected to be received at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.

- The fair value of floating rate finance lease liabilities is estimated by discounting future cash flows using rates currently available for debt with similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if the credit spread has not changed significantly.

- The fair values of the finance leases, the lease equalization loan and the 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.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments (including Exchangeable securities) and non-financial assets measured at fair value on a recurring basis recognized on the consolidated balance sheet by level of the fair value hierarchy:

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

As at December 31,2014	Level 1	Level 2	Level 3	Total
Investment properties			308,596	308,596
Derivative financial instruments - assets		1,636		1,636
Derivative financial instruments - liabilities		(1,682)		(1,682)
Exchangeable securities		18,145		18,145
Total fair value	**-**	**18,099**	**308,596**	**326,695**

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Investment properties			244,900	244,900
Derivative financial instruments		2,471		2,471
Exchangeable securities		12,234		12,234
Total fair value	**-**	**14,705**	**244,900**	**259,605**

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

Level 2 - use of a model with inputs (other than quoted prices included in 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.

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2014 (none in 2013).

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 profit or loss on the income statement line entitled “Net change in fair value of investment properties”. The entire amount of the 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 volatilities 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 for one basis throughout their life at the request of the unit holders, and upon maturity of the underlying notes, at the request of the REIT. Other features of the Exchangeable securities have no significant impact on their fair value.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 26 – Transactions with related parties

Inovalis

Pursuant to the Management Agreement, Inovalis is the 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 asset management fees to Inovalis which are paid in Exchangeable shares (refer to note 15, Exchangeable securities). No guarantees were given.

Related parties (Inovalis and its subsidiaries)	Financial statement line item	Note	For the year ended December 31, 2014	For the period from February 8, 2013, to December 31, 2013
Revenues and expenses				
Asset management fees	Administration expenses	A	1,907	1,198
Facilities management fees	Service charge expenses	B	2,041	941
Property management Fees	Service charge expenses	C	910	511
Interest on lease equalization loan	Finance costs		123	-
Other finance costs and standby credit facility	Finance costs	D	37	35
Interest income from Inovalis	Finance income		(227)	-
Reimbursment of travel expenses	Administration expenses		148	-
Reimbursment of travel expenses	Issue costs		182	
			5,121	2,685
Reimbursement of disbursements paid to third parties on behalf of the REIT				
Issue costs	Issue costs	E	-	2,256
Acquisition costs	Acquisition costs	E	69	822
Interest on notes	Distributions recognized on Exchangeable securities	14	625	378
Reimbursement of debt		14	820	213
Total distributions on Exchangeable securities recognized in earnings			1,514	3,669

In performing its obligations under the Management Agreement, Inovalis is entitled to receive the following fees from the relevant subsidiary of the REIT:

A. An annual asset management fee (the "Annual Asset Management Fee") in the amount of 0.75% of the Historical Gross Purchase Price of the REIT's properties;
B. A facility management fee related to the management of service charges that are rebilled directly to tenants;
C. An annual property management fee (the "Property Management Fee") in an amount equal to 3.5% of the Gross Paid Revenue from the REIT's properties, payable quarterly in arrears, most of which is rebilled to tenants;
D. Commitment fee for the revolving credit facility - CCE, a subsidiary of the REIT, has a standby credit facility in place with Inovalis, whereby a maximum loan amount of $10,000,000 is available to CCE at an effective rate of 8.25%. This standby credit facility expires on April 10, 2015. Prior to July 1, 2014, CCE paid Inovalis a yearly commitment fee for the facility at the rate of 0.5 % payable quarterly. Subsequent to July 1, 2014, there is no commitment fee and the stand-by credit facility was cancelled. As at December 31, 2014, the REIT has no amounts payable in respect of this facility.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

E. Certain service charge expenses and other costs are paid to third parties by Inovalis and its subsidiaries on behalf of the REIT and are reimbursed from time to time. To facilitate the initial start-up of the REIT, certain acquisition costs and offering costs have been paid by Inovalis and have been recharged to the REIT's subsidiaries.

	Due to (from) Inovalis	
	As at December 31, 2014	As at December 31, 2013
Trade and other receivables	(637)	(346)
Trade and other payables	1,767	1,049
Acquisition loan	(17,548)	-
Distributions payable	35	213
Lease equalization loans	3,349	1,470
	(13,034)	2,386

CCD

The transactions and balances with entities accounted for using the equity method are summarized below:

Related parties (CCD)	Income statement line item	For the year ended December 31, 2014	from February 8, 2013, to December 31, 2013
Asset management fees rebilled to CCD	Administration expenses	(114)	-
Acquisition costs	Acquisition costs	323	
Interest revenues	Interest income	(376)	-
		(167)	-

		Due from (to) CCD	
		As at December 31, 2014	As at December 31, 2013
Investment in associate	Investment accounted for using the equity method	3,668	-
Loan receivable	Investment accounted for using the equity method	14,639	-
Accounts receivable	Trade and other receivables	62	-
		18,369	-

Please refer to Note 8 – Investment accounted for using the equity method for more information on CCD.

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. The named officers of the REIT are employed and remunerated by Inovalis rather than the REIT, and the costs of their services are not invoiced distinctly from the overall asset management fees.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

	For the year ended December 31, 2014	For the period from February 8, 2013, to December 31, 2013
Wages, fees and other benefits	262	225
Total compensation for key management personnel	262	225

Note 27 – Capital management

The REIT's objectives when managing capital are to safeguard the REIT's ability to continue as a going concern in order to provide returns for Unitholders and benefits 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 Finance lease liabilities, and the Exchangeable securities.

The REIT's Unitholders' equity consists of units in which the carrying value is impacted by earnings and Unitholders' distributions.

The terms of the REIT's Declaration Of Trust 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 55% of the REIT's Gross Book Value (GBV) or 60% of Gross Book Value including any convertible debentures excluding Exchangeable securities. 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 54.6 % of its GBV as at December 31, 2014 (2013 – 46.2%)

Total indebtedness as a % of Gross Book Value	**As at December 31, 2014**	**As at December 31, 2013**
Investment properties	308,596	244,900
Investment accounted for using the equity method	18,307	-
Acquisition loan	17,548	-
Gross book value	**344,451**	**244,900**
Mortgage loans - non-current	47,150	-
Finance lease liabilities - non-current	130,680	102,573
Lease equalization loan	3,349	1,470
Finance lease liabilities - current	6,991	9,055
Total indebtedness	**188,170**	**113,098**
Total indebtedness as a % of Gross Book Value	**54.6%**	**46.2%**

The REIT did not have any outstanding convertible securities (other than the Exchangeable securities of CCE) as at December 31, 2014 and 2013.

(All dollar amounts are in thousands of Canadian dollars unless otherwise stated)

Note 28 – Commitments and guarantees

In December 2014, a subsidiary of the REIT signed a new lease equilization loan with Inovalis for the recently acquired Baldi property in the amount of $1,223 (871 €). At the end of the year, the loan had not been received. The REIT did not have any other significant ongoing commitments incurred in the ordinary course of business other than those already recognized in these financial statements.

Guarantees provided by the REIT with respect to its long term debts include a preferential claim held by mortgage lenders on the Jeuneur and Veronese properties in the amount of €34,542 (Can $48,490).

The REIT also has a share pledge on the shares of a company owned by Inovalis that holds certain properties to guarantee the acquisition loan.

Note 29 – Geographical information

Total revenue by geographic region	Rental Income	Service Charge Income	For the year ended December 31, 2014	For the period from February 8, 2013 to December 31, 2013
France	16,596	4,623	21,219	13,944
Germany	2,086	73	2,159	1,424
Total revenue	**18,682**	**4,696**	**23,378**	**15,368**

Investment properties and investments in joint venture by geographic region	December 31, 2014	December 31, 2013
France	275,045	215,279
Germany	51,858	29,621
Total investment properties	**326,903**	**244,900**

Note 30 – Classification of information reported in prior periods

Some comparative figures have been reclassified to be compliant with the presentation chosen this year. Interest paid and interest received have been reclassified as operating activities and acquisition costs have been reclassified as investing activities in the cash flow statements.

Note 31 – Subsequent events

Subsequent to the end of the year, the REIT entered into an exclusivity agreement to purchase, on a 50-50 joint-ownership basis, an office property located in Germany, for an all-in-cost of approximately €18,000 (Can $ 25,000). The REIT's share of the acquisition ($12,500) will be funded through a combination of existing cash on hand and a first mortgage. The transaction is expected to close before June 30, 2015.

Corporate information

Head office

Inovalis REIT
151 Yonge Street, 11th floor
Toronto, Ontario, M5C 2W7
Phone: (647) 775-8431
Fax: (647) 775-8301

Investor relations

Phone: (647) 775-8432
E-mail: info@inovalis.com
Website: www.inovalisreit.com

Stock exchange listing

The Toronto Stock Exchange
Listing symbol: INO.UN

Distribution Reinvestment Plan

Inovalis has implemented a Distribution Reinvestment Plan ("**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.

INOVALIS

REAL ESTATE INVESTMENT TRUST

INOVALIS REIT
151 Yonge Street, 11th floor
Toronto, Ontario, M5C 2W7
www.inovalisreit.com