SHORT FORM PROSPECTUS

New Issue

October 30, 2014

INOVALIS
REAL ESTATE INVESTMENT TRUST

INOVALIS REAL ESTATE INVESTMENT TRUST

$37,000,050
3,978,500 Units

This short form prospectus qualifies the distribution (the "**Offering**") of 3,978,500 trust units (the "**Offered Units**") of Inovalis Real Estate Investment Trust (the "**REIT**") at a price of $9.30 per Offered Unit (the "**Offering Price**"). The Offering is being made pursuant to an underwriting agreement dated October 23, 2014 (the "**Underwriting Agreement**") among the REIT, Desjardins Securities Inc., GMP Securities L.P., National Bank Financial Inc., BMO Nesbitt Burns Inc., Dundee Securities Limited, Laurentian Bank Securities Inc., Manulife Securities Incorporated, Burgeonvest Bick Securities Limited, Mackie Research Capital Corporation, All Group Financial Services Inc. and M Partners Inc. (collectively, the "**Underwriters**"). The Offering Price was determined by negotiation among the REIT and the Underwriters.

The proceeds from the sale of the Offered Units will be used to fund, in part, the acquisition by the REIT of an interest in the Acquisition Properties (as defined herein), to fund the Acquisition Loan (as defined herein) and for general trust purposes.

The issued and outstanding units of the REIT (the "**Units**") are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "INO.UN". The TSX has conditionally approved the listing of the Offered Units to be distributed under this short form prospectus. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before January 15, 2015. The closing price of the Units on the TSX on October 16, 2014, the last trading day prior to the announcement of the Offering, was $9.59. The REIT is an unincorporated open-ended real estate investment trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated as of April 10, 2013 (the "**Declaration of Trust**"). The REIT's principal office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7.

Price: $9.30 per Offered Unit

	Price to the Public[(1)]	Underwriters' Fee[(2)]	Net Proceeds to the REIT[(3)]
Per Offered Unit	**$9.30**	**$0.37**	**$8.93**
Total Offering[(4)]	**$37,000,050**	**$1,480,002**	**$35,520,048**

Notes:

(1) The Offering Price of the Offered Units was determined by negotiation among the REIT and the Underwriters.

(2) In consideration of the services rendered by the Underwriters in connection with the Offering, the Underwriters will receive an aggregate fee of $1,480,002, representing 4% of the gross proceeds from the Offering. See "Plan of Distribution".

(3) Before deducting expenses of the Offering estimated at $900,000 which, together with the Underwriters' fee, will be paid from the proceeds of the Offering.

(4) The REIT has granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at the sole discretion of the Underwriters at any time up to 30 days after Closing to purchase up to an additional 596,775 Units (equal to approximately 15% of the Units sold in this Offering) on the same terms as set forth above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, the Underwriters' fee and net proceeds to the REIT (before deducting the expenses of this Offering) will be $42,550,057.50, $1,702,002.30 and $40,848,055.20, respectively. This prospectus qualifies the distribution of the Over-Allotment Option and the Units issuable on the exercise thereof. A purchaser who acquires Units forming part of the Over-Allotment Option acquires those Units under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Underwriters' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	596,775 Units	At any time up to 30 days from Closing	$9.30 per Unit

The Underwriters, as principals, conditionally offer the Offered Units, subject to the prior sale, if, as and when issued, sold and delivered by the REIT and accepted by the Underwriters in accordance with the conditions of the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the REIT by Goodmans LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering (the "**Closing**") is expected to occur on or about November 6, 2014, or such other date as may be agreed upon by the REIT and the Underwriters but in any event not later than November 28, 2014. Registrations and transfers of Offered Units will be effected electronically through the book-entry system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). Beneficial owners of Offered Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See "Description of Units – Book-Entry Only System".

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions that stabilize or maintain the market price of the Offered Units at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer the Offered Units at prices lower than that stated above. See "Plan of Distribution".**

The REIT is not a trust company or registered under applicable legislation governing trust companies and does not carry on or intend to carry on the business of a trust company. The REIT currently qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (Canada) and the regulations thereunder, as amended, (the "Tax Act") and offers and sells its Units to the public. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that statute or any other legislation.

An investment in Units is subject to a number of risks that should be carefully considered by a prospective investor. Prospective investors should carefully review the risk factors referred to under "Risk Factors" before purchasing Offered Units. It is important for investors to consider the particular risk factors that may affect the industry in which they are investing, and therefore the stability of the distributions paid by the REIT. The section entitled "Risk Factors" herein, the section entitled "Risk Factors" on pages 24 to 38 of the AIF (as defined herein), the sections entitled "Risks and Uncertainties" on pages 24 to 32 of the Annual MD&A (as defined herein) and on page 18 of the Q2 MD&A (as defined herein), all incorporated by reference herein, also describe the REIT's assessment of those risk factors, as well as the potential consequences to an investor if any such risk should materialize.

A return on an investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in Units is at risk, and the anticipated return on such an investment is based on many performance assumptions. Although the REIT intends to make distributions of its available cash to Unitholders, such distributions may be reduced or suspended at any time. The actual amount distributed will depend on numerous factors including the financial performance of the REIT's properties, currency fluctuations, debt covenants and other contractual obligations, working capital requirements and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the Units may decline if the REIT's distributions are reduced or suspended, and that decline may be significant.

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Prospective investors should rely only on the information contained or incorporated by reference in this short form prospectus. The REIT has not authorized anyone to provide different information. If an investor is provided with different or inconsistent information, he or she should not rely on it. The REIT is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. Certain information contained in this short form prospectus concerning entities other than the REIT or its subsidiaries has been derived from publicly-available sources.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Inovalis Real Estate Investment Trust at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7, Attention: Chief Financial Officer. In addition, copies of the documents incorporated by reference herein may be obtained from the securities commissions or similar authorities in the provinces of Canada through the internet at www.sedar.com.

The following documents or portions of documents, filed with the securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the REIT's annual information form (the "**AIF**") for the period ended December 31, 2013, dated March 31, 2014;

(b) the REIT's management information circular dated April 2, 2014 with respect to the annual meeting of unitholders held on May 7, 2014 (the "**MIC**");

(c) the REIT's amended MIC dated April 22, 2014 with respect to the annual meeting of unitholders held on May 7, 2014;

(d) the audited consolidated financial statements of the REIT for the period from February 8, 2013 to December 31, 2013, together with the notes thereto;

(e) management's discussion and analysis of financial condition and results of operations of the REIT for the period from February 8, 2013 to December 31, 2013 (the "**Annual MD&A**");

(f) management's discussion and analysis of financial condition and results of operations of the REIT for the quarter ended June 30, 2014 (the "**Q2 MD&A**");

(g) the unaudited condensed interim consolidated financial statements of the REIT for the quarter ended June 30, 2014;

(h) the REIT's business acquisition report dated June 25, 2013 (excluding the unaudited pro forma consolidated financial statements of the REIT as at and for the period ended March 31, 2013, and the period ended December 31, 2012 included therein);

(i) the term sheet dated October 17, 2014 filed on SEDAR in connection with the Offering (the "**Marketing Materials**"); and

(j) the material change report of the REIT dated October 23, 2014.

Any documents of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus Distributions* which are filed by the REIT with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a

material fact or an omission to state a material fact that was required to be stated or that was necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

The Marketing Materials are not part of this short form prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in this prospectus. Any template version of "marketing materials" (as defined in National Instrument 41-101 - *General Prospectus Requirements*) filed after the date of this prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated into this prospectus.

MEANING OF CERTAIN REFERENCES

For an explanation of the capitalized terms and expressions used in this short form prospectus, please refer to the "Glossary of Terms". References to the "REIT" in this prospectus includes its subsidiaries, unless the context otherwise requires. References to "$", "Cdn$", "dollars" or "Canadian dollars" are to Canadian dollars and references to "€" or "Euros" are to Euros. In particular, the proceeds from the sale of the Offered Units will be in Canadian dollars, while the acquisition of the Acquisition Properties will be in Euros. The consolidated financial statements of the REIT incorporated by reference herein are reported in Canadian dollars. Unless otherwise indicated, the disclosure in this prospectus assumes that the Over-Allotment Option is not exercised.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, based on the current provisions of the Tax Act, provided that the REIT qualifies at all times as a "mutual fund trust" (as defined in the Tax Act) or the Units are listed on a "designated stock exchange" (as defined in the Tax Act), the Units will be a qualified investment for trusts governed by a "registered retirement savings plan" ("**RRSP**"), a registered education savings plan, a registered retirement income fund ("**RRIF**"), a deferred profit sharing plan, a registered disability savings plan and a "tax-free savings account" ("**TFSA**") (collectively, "**Plans**").

Notwithstanding the foregoing, if the Units are a "prohibited investment" (as defined in the Tax Act) for a trust governed by a TFSA, RRSP or RRIF, the holder or annuitant thereof will be subject to a penalty tax as set out in the Tax Act. The Units will not be a prohibited investment for a TFSA, RRSP or RRIF provided the holder or annuitant of such Plan, (i) deals at arm's length with the REIT, for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the REIT. Generally, a holder or annuitant will have a significant interest in the REIT if the holder or annuitant either alone or together with persons and partnerships not dealing at arm's length with the holder or annuitant, owns, directly or indirectly, units of the REIT representing 10% or more of the fair market value of all units of the REIT. In addition, Units will not be a "prohibited investment" if the Units are "excluded property" (as defined in the Tax Act) for trusts governed by a TFSA, RRSP and RRIF. Prospective purchasers who intend to hold Units in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

NON-IFRS MEASURES

Funds from operations ("**FFO**") and adjusted funds from operations ("**AFFO**") are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO are supplemental measures of performance for real estate businesses. The REIT believes that AFFO is an important measure of economic performance and is indicative of its ability to pay distributions, while FFO is an important measure of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO and AFFO is net income.

FFO is defined as net income in accordance with IFRS, excluding: (i) acquisition costs incurred in connection with the purchase of properties being accounted for as a business combination; (ii) gain on bargain purchase; (iii) net change in fair value of investment properties; (iv) net change in fair value of financial instruments at fair value through profit and loss; (v) changes in fair value of Exchangeable Securities; (vi) adjustment for property taxes accounted for under IFRIC 21; and (vii) loss, gain or write-off on exercise of lease option. It has also been adjusted to exclude the distributions declared on Exchangeable Securities. These distributions are recognized in profit and loss consistent with the classification of the Exchangeable Securities as a liability. However, they are not to be considered when determining distributions for the Unitholders as indeed they are subordinated to the distributions to the Unitholders.

AFFO is defined as FFO subject to certain adjustments, including adjustments for: (i) the non-cash effect of straight line rents, (ii) the cash effect of the Lease Equalization Agreement, (iii) amortization of fair value adjustment on assumed debt, (iv) the non-cash portion of the asset management fees paid in Exchangeable Securities, (v) capital expenditures, and (vi) capital expenditures paid by the vendors of the leasehold interest in the properties and/or tenants.

FFO and AFFO should not be construed as alternatives to net income or cash flow from operating activities, determined in accordance with IFRS, as indicators of the REIT's performance. The REIT's method of calculating FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by them.

EXCHANGE RATE INFORMATION

We disclose certain financial information contained in this prospectus in Euros. The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for €1.00, expressed in Canadian dollars, published by the Bank of Canada.

	Six Months Ended June 30, 2014	**Year ended December 31**	
	Q2 2014	**2013**	**2012**
	(C$)	**(C$)**	**(C$)**
Highest rate during the period	1.5549	1.4724	1.3446
Lowest rate during the period	1.4440	1.2859	1.2153
Average rate for the period	1.5036	1.3681	1.2851
Rate at the end of period	1.4615	1.4655	1.3118

Where there is a conversion of Euros to Canadian dollars in this prospectus, the conversion was based on a rate of exchange of €1.00 equals $1.4201, unless otherwise noted. On October 29, 2014, the noon rate of exchange posted by the Bank of Canada for conversion of Euros into Canadian dollars was €1.00 equals $1.4211.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking information. Statements other than statements of historical fact contained in this document may be forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans", "predict", "estimate", "potential", "could", "likely", "approximately", "scheduled", "forecast", "variation" or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and the REIT's objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to plans and objectives of the REIT's Board of Trustees, or estimates or predictions of actions of tenants, suppliers, competitors or regulatory authorities; and statements regarding its future economic performance. These forward-looking statements are based on the REIT's current expectations about future events. Some of the specific forward-looking statements in this document may include, but are not limited to, statements with respect to: (i) the REIT's stated objectives; (ii) its intention to make regular monthly cash distributions; (iii) the acquisition of the Acquisition Properties and the making of the Acquisition Loan; (iv) its ability to execute its business and growth strategies with Inovalis' assistance where applicable, including by making additional acquisitions of properties in its primary markets; (v) the expected tax treatment of its distributions to Unitholders (including with respect to tax deferrals and the level of foreign tax, if any, payable on amounts that give rise to its distributable income); and (vi) its access to available sources of debt and equity financing.

Forward-looking statements do not take into account the effect of transactions or other items announced or occurring after the statements are made. For example, they do not include the effect of dispositions, acquisitions, other business transactions, asset write-downs or other charges announced or occurring after the forward-looking statements are made.

Although the REIT believes that the expectations reflected in the forward-looking information are reasonable, the REIT can give no assurance that these expectations will prove to have been correct, and since forward-looking information inherently involves risks and uncertainties, undue reliance should not be placed on such information. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such forward-looking statements. The estimates and assumptions, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth in this document as well as the following: (i) failure to close the Offering; (ii) all closing conditions in respect of the acquisition of the Acquisition Properties and the Acquisition Loan will be satisfied; (iii) the demographic and industry trends will remain unchanged; (iv) the REIT's future level of indebtedness and its future growth potential will remain consistent with the REIT's current expectations; (v) the REIT will continue to receive financing on acceptable terms; (vi) the tax laws as currently in effect remaining unchanged; (vii) the REIT will retain and continue to attract qualified and knowledgeable personnel as it expands its portfolio and business; (viii) impact of the current economic climate and the current global financial conditions on the REIT's operations, including its financing capability and asset value, will remain consistent with current expectations; (ix) there will be no material changes to government and environmental regulations adversely affecting the REIT's operations; (x) conditions in the international and, in particular, the French and German real estate markets, including competition for acquisitions, will be consistent with the current climate; and (xi) capital markets will provide the REIT with readily available access to equity and/or debt financing.

The forward-looking statements are subject to inherent uncertainties and risks, including, but not limited to, the factors discussed under the "Risk Factors" section of this prospectus. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

INOVALIS REAL ESTATE INVESTMENT TRUST

Inovalis Real Estate Investment Trust is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the province of Ontario. The registered and head office of the REIT is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7.

The REIT is managed by Inovalis SA (together with its subsidiaries, "**Inovalis**"), a local cross-border French and German real estate asset manager which manages over $5 billion of real estate properties and, pursuant to the Management Agreement, assists the REIT in acquiring office properties that Inovalis manages or in which it has an ownership interest, in addition to sourcing new acquisition opportunities for properties that it does not currently manage or in which it does not have an ownership interest. As of the date of this prospectus, Inovalis held an approximate 13.3% ownership interest in the REIT on a fully-exchanged basis through the ownership of Units (1.4%) and Exchangeable Securities (11.9%) which are economically equivalent to, and exchangeable for, Units and of which Exchangeable Units representing an approximate 10% ownership interest in the REIT are subject to an escrow arrangement whereby they will be automatically released from escrow to Inovalis on April 10, 2016 (the third anniversary of the IPO Closing Date). Following completion of the Offering, Inovalis will own approximately 12.5% of the outstanding Units on a fully-exchanged basis assuming the Over-Allotment Option is not exercised. See "Retained Interest".

The REIT's long-term objectives are to:

- Generate predictable and growing cash distributions on a tax-efficient basis from investments in income-producing office properties;
- Maximize the long-term value of both its properties and Units through active and efficient management;

- Grow its asset base, primarily in France and Germany, but also opportunistically in other European countries where assets meet its investment criteria; and

- Increase the cash available for distribution to Unitholders, through an accretive acquisition program that successfully leverages Inovalis' extensive relationships and depth of commercial property and financing.

In the context of its objectives, the REIT's investment strategy is to focus on office properties in France and Germany that represent attractive investments due to their stable cash flows from long-term leases with strong tenant bases. The REIT believes office properties that are well located in their respective markets present an attractive investment opportunity given their propensity to experience rental rate increases over the long term. Such properties typically provide growth opportunities through the lease-up of vacant space and the upward trend in rental rates through contractual escalations. The REIT's Investment Criteria encompass office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million ($28,402,000 million) to €60 million ($85,206,000) and potential future upside with respect to matters including rent and area development.

RECENT DEVELOPMENTS

Duisburg Joint Venture

On July 16, 2014, the REIT announced that it had completed the acquisition, on a 50-50 Joint-Venture basis, of an office property located in Germany (the "**Duisburg Property**"), for a total purchase price of $65.7 million (the REIT's share being $32.8 million), representing a going-in capitalization rate of 7.4%. The Duisburg Property is located in Duisburg, Germany, in the district of Kasslerfeld, at the Innenhafen harbour. The REIT acquired the Duisburg Property in a 50-50 co-ownership arrangement with Injazzat Real Estate Development Company K.S.C., a strategic, global institutional investor that has had a long-standing relationship with Inovalis. The acquisition was financed with a mortgage loan of $35.8 million and equity investments of $29.9 million. The REIT's share of the equity investment ($15.0 million) came from existing cash on hand and increased financing on the REIT's existing French properties. The $35.8 million first mortgage was granted by Pfandbrief Bank (one of the largest German mortgage banks). It is an interest-only 5-year term facility at an all-in fixed interest rate of 2.28% secured by a first-ranking mortgage and a pledge of shares and bank accounts. The Duisburg Property was valued by Jones Lang LaSalle GmbH as at November 1, 2013 at $73.0 million, reflecting a loan to value of 49.0%. The REIT's 50% interest in the Duisburg Property is accounted for using the equity method.

Refinancing Activity

During the quarter ended June 30, 2014, the REIT refinanced the three French properties it currently owns with a view to optimizing its balance sheet and financing new acquisitions, increasing the weighted average term to maturity, locking-in historically low interest rates for a longer period of time, and reducing the principal repayment charge paid under the leasehold interests. The Jeuneurs Property and Dubonnet Property were refinanced with a mortgage loan secured by a first-ranking mortgage and a share pledge made by the property owning companies. The Vanves Property was refinanced with a new finance lease.

Acquisition Activity

Consistent with its past practice and in the normal course, the REIT may have outstanding non-binding letters of intent and/or conditional agreements or may otherwise be engaged in discussions with respect to possible acquisitions of new properties which may or may not be material. However, there can be no assurance that any of these letters, agreements and/or discussions will result in an acquisition and, if they do, what the final terms or timing of any acquisition would be. The REIT expects to continue to actively pursue other acquisition and investment opportunities during the course of the Offering.

THE ACQUISITIONS

Overview

The Acquisition Properties consist of two office properties in France, comprising approximately 196,301 square feet of GLA with a portfolio occupancy rate of approximately 90% on the office space comprising the properties, and a weighted average lease term of 5.9 years on such space as at September 30, 2014 (not including tenant early termination rights), offering a stable lease rollover profile.

As described under “The Acquisitions – Certain Legal Matters Related to Property in France”, the Acquisition Properties are currently owned as follows: (i) the Sablière Property is beneficially owned by AREF Sablière SARL and the Baldi Property is beneficially owned by AREF Second Property SARL. Each owner has agreed to the sale of the respective property to the REIT. The Acquisition Properties will be indirectly acquired by the REIT pursuant to two separate assignment of property lease agreements (the “Assignment Agreements”). See “Certain Legal Matters Relating to the Property in France”. The aggregate cash proceeds being paid by the subsidiaries of the REIT in connection with the Assignment Agreements is €11,654,000 ($16,550,000) as of October 22, 2014.

The Assignment Agreements will contain certain declarations by the Vendors in favour of the REIT subsidiaries (certain of which are qualified as to knowledge), which are typical for an assignment agreement of this kind in France, relating to the underlying property lease, disputes (other than rental disputes), certain claims, status of lease payments, notices to and from subtenants, certain matters relating to the building, certain environmental matters, no insolvency, authorizations and no contravention. Such declarations will survive indefinitely following Closing (subject to French statutory limitations). The Assignment Agreements do not contain a representation in respect of this prospectus. No indemnity is being provided in connection with the Assignment Agreements and any claim by the REIT’s subsidiaries in respect of a breach of the terms of the agreements, including a false declaration, will need to be based on a breach of contract.

There can be no assurance of recovery by the REIT or its subsidiaries for any breach of the declarations provided under the Assignment Agreements, as there can be no assurance that the assets of the Vendors will be sufficient to satisfy such obligations. Only the REIT or its subsidiaries will be entitled to bring a claim or action for a breach of contract under the Assignment Agreements and purchasers of Units under this prospectus will not have any contractual rights or remedies under the Assignment Agreement. Purchasers will, however, have certain statutory rights against the REIT and Inovalis, as promoter, under applicable securities laws. See “Purchasers’ Statutory Rights of Withdrawal and Rescission”.

The Assignment Agreements are material contracts of the REIT and will be available, following Closing, at www.sedar.com. A purchaser of Units should refer to the terms of the Assignment Agreement for a complete description of the declarations, and the other provisions of the Assignment Agreement.

Negotiation Process

As noted in the REIT’s IPO Prospectus dated March 28, 2013, Inovalis granted the REIT a Right of First Opportunity (the “**ROFO**”) to acquire properties managed or owned by Inovalis that meet the REIT’s investment criteria. The Acquisition Properties are part of a larger portfolio of four properties managed by Inovalis, comprised of the Acquisition Properties and two other properties (the “**Other Properties**”), and were presented to the REIT in accordance with the ROFO.

The Acquisition Properties and the Other Properties are held indirectly by AREF Real Estate France SAS, a French simplified joint stock company (“**AREF France**”) through three French limited liability companies or SARL’s. Concurrently with the acquisition by the REIT of the Acquisition Properties, Inovalis will acquire the Other Properties.

In its capacity as manager of the Acquisition Properties and the Other Properties, Inovalis does not have the authority to make any major decisions with respect to AREF Sablière SARL or AREF Second Property SARL, including with respect to the determination to dispose of assets of either of them. Such decisions are authorized by a strategic committee of AREF France. The strategic committee of AREF France is comprised of three members who are appointed by AREF France’s equity holders based on their respective equity interests in AREF France. Inovalis has a 10% equity interest in AREF France. The holders of the other 90% of the equity of AREF France are at arm’s length and unrelated to Inovalis and the REIT. Accordingly, Inovalis does not “control” AREF France. Therefore, AREF France was not a “related party” at the time the transaction was agreed to and as a result, the transaction is not a “related party transaction” pursuant to Multi-lateral Instrument 61-101 – *Takeover Bids and Special Transactions*.

Although Inovalis, as manager, presented the opportunity to the REIT pursuant to the ROFO, it was the Investment Committee of the REIT that made its own independent assessment of the merits of acquiring the Acquisition Properties and the making of the Acquisition Loan by conducting site visits, reviewing due diligence and undertaking the price negotiation and settling the terms of the Assignment Agreements and the making of the Acquisition Loan before the REIT confirmed it was prepared to proceed. The Investment Committee of the REIT undertook the negotiation process in respect of the Acquisition Properties and the Acquisition Loan with knowledge of the market value of the Acquisition Properties and the Other Properties, considered as a whole, and the price being paid by Inovalis for the Other Properties. The Investment Committee of the REIT is satisfied that it has obtained the best possible deal for the Acquisition Properties and that the acquisition by the REIT of the Acquisition Properties is in the best interests of the REIT.

Property Highlights

Overview of the Acquisition Properties

Set out below are details regarding the Acquisition Properties:

Property Name	**Property Address**	**Year Built**	**GLA (sq. feet)**	**Number of Tenants**	**Leased or Committed**
Sablière	27-29 rue de la Sablière – 75014 PARIS	1985	41,043 Office: 39,719 Mixed-use: 1,324	5	82% Office : 83% Mixed-use : 43%
Baldi	44/50 Avenue du Capitaine Glarner – 93400 SAINT OUEN	1991	155,259 Office : 94,185 Mixed-use : 61,075	9	72% Office : 92% Mixed-use : 41%

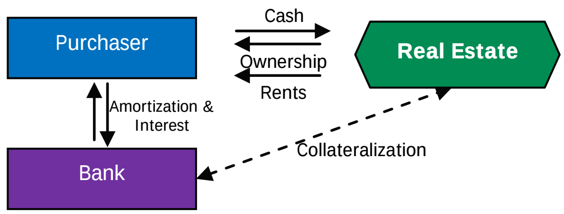
Certain Legal Matters Relating to Property in France

The Acquisition Properties are currently owned as follows: (i) the Sablière Property is beneficially owned by AREF Sablière SARL and (ii) the Baldi Property is beneficially owned by AREF Second Property SARL. Each owner has agreed to the sale of the respective property to the REIT. The Vendors currently own their interests in the Acquisition Properties through the Leaseholds. On Closing, each of the Leaseholds will be assigned to two indirect subsidiaries of the REIT.

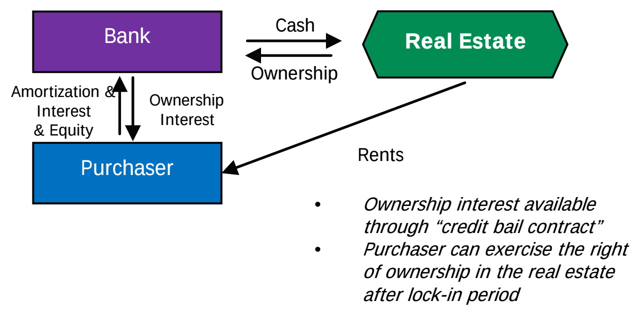
The Leaseholds were established pursuant to an acquisition structure commonly used in France as an alternative to a conventional purchase and sale transaction in which the property is financed with mortgage debt. The Vendors used a sale-leaseback transaction to partially finance a portion of the acquisition price for each of the Acquisition Properties.

The similarity of the French leasehold structure to a North American mortgage payment structure is illustrated below.

Mortgage Payment



Lease Loan Structure



The Leaseholds require the applicable Vendors to make quarterly payments to the owner, which is a financial institution. These payments are financing lease obligations, which are economically akin to mortgage payments, and are set out under the section entitled "The Acquisitions – Profile of Payments under Leaseholds". At all times during the term of the lease, the lessee has an option to purchase the Acquisition Properties from the financial institution. The aggregate purchase price to acquire the Acquisition Properties as of October 22, 2014 under the Leaseholds was €42,860,000 ($60,865,000), which amount is equal to the outstanding principal lease payments with respect to the Acquisition Properties at that date plus, if the option is exercised within a specified period following commencement of the applicable lease, certain breakage costs. The acquisition of the Leaseholds together with the option to acquire the Acquisition Properties is intended to allow the REIT to be in a position to become the owner of the Acquisition Properties.

The Acquisition Properties subject to the Leaseholds are required by French law to be owned by French financial institutions.

Profile of Payments under Leaseholds

The following table sets out, as at September 30, 2014, the principal payments, maturity and weighted average interest rate of the lease payments required under the Leaseholds to be paid over the periods indicated (dollar amounts in thousands):

Year Ending December 31	Payments of Principal (000s €)	Debt Maturing During Year (000s €)	Total Principal Payments	Percentage of Total Debt	Weighted Average Interest Rate of Mortgages
2014	€ 1,805,495	—	€ 1,805,495	5.90%	1.49%
2015	€ 1,968,461	—	€ 3,773,956	12.40%	1.49%
2016	€ 2,141,014	—	€ 5,914,970	19.40%	1.49%
2017	€ 24,632,967	€ 23,202,676	€ 30,547,937	100.00%	—

Weighted average interest rate	1.49%
Weighted average term to maturity	2.89 years

Note: Based on Euribor base rate of 0.40% until maturity. As an indication, 3M Euribor as of October 6, 2014 was 0.08%.

Description of Leasehold Structure

In general, ownership of the Acquisition Properties through a leasehold structure, together with the option to purchase the freehold interest, will place the REIT in a similar position as if it had acquired the freehold interest in the Acquisition Properties using mortgage financing. In particular, payments made under the leasehold interest are, from an economic point of view, comparable to mortgage payments, as the payments represent blended payments of principal and interest, with the initial principal amount outstanding representing the value of the financing on the acquisition of the property. In addition, the REIT will be able to transfer the leasehold interest, together with the option to purchase the freehold interest, provided that it obtains the prior consent of the financial institution owner, which consent cannot be withheld if certain conditions are satisfied, including that the leasehold payments are not in default, the sale price is equal to or greater than the residual value of the remaining lease (including but not limited to loan breakage costs) and the REIT provides certain information to the financial institution owner, including information relating to the buyer. In respect of the Acquisition Properties, the financial institution does not have the right to sell or otherwise fundamentally change or mortgage the Acquisition Properties while the REIT is current on its leasehold payments. If the REIT is in default of its leasehold obligations (in particular, on its leasehold payments or of its other obligations including participation rights discussed below), the financial institution can terminate the leasehold and/or sell the property, which is similar, to a certain extent, to a mortgagee exercising its remedies, or change the lease to, among other things, increase the applicable interest rate. The termination of a leasehold and the subsequent disposal of the property may be easier under a leasehold than under a mortgage since a mortgagee needs to go before a court to enforce its mortgage and obtain the loan reimbursement following a specific adjudication process.

The financial institution owners of the Acquisition Properties have participation rights with respect to such Acquisition Properties pursuant to which the applicable lessee would need to obtain written consent from the respective financial institution prior to taking certain actions with respect to such Property, including cancelling the lease agreements with the tenants of such properties or amending the lease by changing the sub-lessee or reducing the rental payments. If the financial institution does not give its prior consent to such actions, it may terminate the applicable head lease and dispose the related property. It should be noted that the rights of a lender under mortgage financing are not significantly different, as the borrower under the mortgage financing may be required (i) to inform the lender in case of a change of the lessee, and (ii) to sign new lease agreements, the condition of which are at least equivalent to those of the former lease agreement. If the borrower does not comply with these requirements, it would be in default of the mortgage and the loan would be repayable.

In the leasehold structure, there is a theoretical risk that the owner of the property (which is not related to the REIT) could become insolvent. The possibility of insolvency of the title holder is remote given the owner is a financial institution and, in any event, in the case of insolvency of the owner of the Acquisition Properties the applicable REIT subsidiary has the right to execute its option to acquire the applicable property.

Description of the Acquisition Properties

The following is a description of each of the Acquisition Properties. The information provided concerning area leased, percentage of GLA and the weighted average expiry date is as at September 30, 2014.

Sablière Property

The property, located at the address municipally known as 27-29 rue de la Sablière, 75014 Paris, France, was constructed in 1985, and is comprised of a 41,043 square foot (3,813 square meter) building. The six-storey building with two underground levels is situated in the region of Ile de France, in the 14th district of Paris, which engulfs the majority of the Montparnasse region, along with the Tour Montparnasse and the metro station Montparnasse Bienvenue which is an important hub for travelers and tourists. The property is leased to a total of five tenants, with the main tenant, Direction Spécialisée des Impots (the French Tax Authority), occupying 40% of the total GLA in accordance with a nine year lease expiring in June, 2021. Inovalis has managed the property since June 9, 2005.

The property is currently 82% occupied and has a weighted average base rental of €35.50 ($50.41) per square foot (€377 ($535.38) per square meter) with a weighted average remaining lease term of 4.8 years as of September 30, 2014.

Baldi Property

The property, located at the address municipally known as 44/50 Avenue du Capitaine Glarner, 93400 Saint-Ouen, France, was constructed in 1991, and is comprised of 155,259 square feet (14,424 square meters) of GLA, of which 94,708 square feet (61%) is office space and 60,551 square feet (39%) is mixed use area. The four buildings are situated 300 meters from the Paris ring road. The four buildings are located around a central courtyard. The property is leased to a total of nine tenants, with the main tenant, Rue du Commerce, occupying 33% of the total GLA in accordance with a nine year lease expiring December, 2021. Inovalis has managed the property since September 30, 2005.

The property is mainly comprised of office premises of which the occupancy rate is 92%. The mixed-use areas, with a current occupancy rate of 41% offer the potential for additional value if such premises can be re-let or sold. The office areas have a weighted average base rental of €14.9 ($21.16) per square foot (€191 ($227.22) per square meter) (not taking into account the vendor lease) with a weighted average remaining lease term of 4.3 years as of September 30, 2014.

Vendor Leases

Certain of the premises in the Acquisition Properties are currently vacant. The vendors of the leasehold interests in such Acquisition Properties will enter into a sub-lease (the "**Vendor Leases**") with SCI Sablière and SCI Baldi for the Sablière Property and the Baldi Property, respectively, pursuant to which AREF Sablière SARL and Aref Second Property, respectively, as tenants, will be obligated to pay market rent for such premises. The Vendor Leases will have a term for each of the Acquisition Properties as set out in the table below, during which term the vendors will be responsible for the lease payments set forth in the table below.

		Annual Minimum Rent		Term	
Property	**GLA (sq. m)**	**€**	**$**	**From**	**To**
Sablière Property	683	€ 217,000	$ 384,847	Closing	12 months from Closing
Baldi Property...........................	677	€ 190,000	$ 269,819	Closing	12 months from Closing
Total...	**1,360**	**€ 407,000**	**$ 654,666**		

The vendors may further sublease each of the premises subject to the Vendor Lease in whole or in part on terms that are acceptable to the REIT and will be responsible for the cost of tenant improvements, tenant inducements and/or leasing commissions for new tenants.

The Vendor Leases will include customary provisions such as events of default for non-payment of rent and other obligations and notice clauses.

Acquisition Loan

At the same time the REIT acquires the Acquisition Properties, Inovalis S.A. will also acquire the Other Properties, including the property located at the addresses municipally known as 149-161 rue Saint-Denis and 35-37 37bis-39bis rue Greneta, 75002 Paris, France (the "**Metropolitan Property**"). The Metropolitan Property was constructed in 1993, and is comprised of 79,330 square feet (7,370 square meters) of GLA primarily for office use and retail use. The six-storey building is located in the region of Ile de France of Paris, in one of the most sought-after office markets in Europe, within the Paris Central Business District. This region is a favoured location for numerous French and international companies as well as public and private institutions. The property is currently leased to a total of five tenants, with the main tenant, "Vortex SA", occupying 33% of the total GLA. Inovalis is currently in negotiations with the tenant Vortex (Skyrock Group) to extend its lease. Inovalis has managed the property since September 30, 2005.

The property is currently 76% occupied and has a weighted average base rental of €37.5 per square foot (€402 per square meter) with a weighted average remaining lease term of 3.2 years as of September 30, 2014 before lease negotiations with Vortex SA and NEONESS.

The REIT has agreed that it will directly or indirectly through one of its subsidiaries, make a €12.5 million ($17,751,250 million) loan to Inovalis for purposes of acquiring the Metropolitan Property (the "**Acquisition Loan**"). The loan shall bear interest at a rate of 8.75% for three years (with an option to extend for one year) and will be secured by a share pledge from a holding company (that also owns another property in the Greater Paris Region) and shall include a right of first opportunity in favour of the REIT to purchase the property at a discount to the then market price when the property meets the investment criteria of the REIT (the "**REIT ROFO**"). If the REIT ROFO is not exercised and the Metropolitan Property is sold by Inovalis to a third party, the REIT (or its subsidiary) shall receive 50% of the profit generated by the sale of the property (inclusive of all interest received on the Acquisition Loan).

Lease Equalization Agreement

The rental payments owing by Rue Du Commerce in respect of the 51,925 square foot office space premises at the Baldi Property are not equal over the term of the lease. Accordingly, on closing of the acquisition of the Acquisition Properties, Inovalis and a subsidiary of the REIT will enter into the Lease Equalization Agreement, which will have the effect of equalizing the rent payments payable to the REIT over the term of the lease described below, thereby providing the REIT with stable and predictable monthly cash flow. In particular, the lease payments owing by the tenant will be lower immediately following closing of the acquisition than the lease payments required to be made towards the end of the lease term. In order to provide the REIT with stable and predictable monthly cash flow, under the Lease Equalization Agreement (i) Inovalis will be required to loan to the REIT's subsidiary on a quarterly basis during the period commencing on closing of the acquisition and ending on September 30, 2016, the difference between the actual Rue Du Commerce lease payments over such period and the average lease payments over the term of the lease, which is €925,129 ($1,313,775) in the aggregate, and (ii) the REIT's subsidiary will be required to repay to Inovalis, an aggregate amount of €1,123,429 ($1,595,381) in variable quarterly instalments, being the difference between the monthly base rent payable under the lease during the period commencing on October 1, 2016 and ending on December 31, 2021, and the average lease payment, plus 5.00% of such difference, per annum, which shall begin to accrue on any amount when such amount is advanced by Inovalis representing the opportunity cost to Inovalis resulting from the timing of the payments.

ASSESSMENT AND VALUATION OF THE PROPERTIES

Property Appraisals

The REIT retained Jones Lang LaSalle SAS (the "**Appraiser**") to provide an independent estimate of the market value of each of the Acquisition Properties (the "**Appraisals**"). The Appraiser was not given any limiting instructions.

The Appraisals were prepared in conformity with the requirements of the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors Standards. The Appraisals define "market value" as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion". The date of the Appraisals of the Acquisition Properties was June 30, 2014.

In the Appraisals, the Appraiser estimated the net value of the Sablière Property, as at June 30, 2014, to be €20,700,000 ($29,396,070) and the net value of the Baldi Property as at June 30, 2014, to be €25,400,000 ($36,070,540).

The estimated value of the Acquisition Properties was determined by the Appraiser using the Term and Reversion Capitalization Method of valuation. This valuation method is traditionally used by investors when acquiring properties similar to the Acquisition Properties located in France. The Appraiser inspected each of the Acquisition Properties. In preparing the Appraisals and determining market value, the Appraiser gave consideration to market rental rates, the general real estate market in the local area, property taxes and performed cash flow modelling. In accordance with general market practice in France, the Appraiser did not make any deductions for purchaser's or vendor's legal or agent's fees nor did the Appraiser take account of capital gains or other taxes that either party might have paid as a result of such transaction. The Appraisals take into account the value of current tenant leases, proximity to public transportation and comparable rental and investment transactions in France in 2013 and 2014. The Appraisal of the Baldi Property takes into account the fact that the REIT may be responsible for certain capital expenditure costs related to the property.

In determining the approximate market value of the Acquisition Properties, the Appraiser relied on (i) tenancy schedules for the Acquisition Properties, (ii) certain plans of the Acquisition Properties from a surveyor-expert, (iii) leases relating to the Acquisition Properties, and (iv) recoverable and non-recoverable building costs relating to the Baldi Property. Based on its review, and other relevant facts, the Appraiser considered such data to be reasonable and supportable.

Conclusion

Based on the Appraisals, the aggregate market value of the Acquisition Properties, as a portfolio, is €46,100,000 ($65,466,610). The aggregate market value reflects a capitalization rate (established in accordance with the Capitalization Method) for the Sablière Property of 6% and for the Baldi Property of 7.25%.

Caution should be exercised in the evaluation and use of the Appraisals. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while the Appraisers' internal forecasts of net operating income for the Acquisition Properties is considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future. Reference should be made to the Appraisals for a complete description of the assumptions and limitations qualifying the Appraisals. A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisals.

Environmental Audit

Each of the Acquisition Properties was the subject of a Phase I environmental site assessment report ("**Phase I ESA**") between June 2014 and July 2014 by a France-based independent environmental consultant. The purpose of the Phase I ESA was to assess whether there is evidence of potential or actual environmental contamination at any of the Acquisition Properties. The Phase I ESAs were prepared in accordance with the independent valuator's procedures specific to this type of evaluation. In particular, based on an historical review of the Acquisition Properties, the Phase I ESAs highlighted the geological and hydrogeological contexts of the Acquisition Properties, and analyzed the environmental aspects of drinking water supply, industrial water supply, domestic and agricultural water supply, natural protected areas and polychlorinated biphenyls (PCB) management. Intrusive sampling and analysis was not part of the Phase I ESAs.

None of the Phase I ESAs requested that a Phase II environmental site assessment report ("**Phase II ESA**") be conducted. Phase II ESAs involve intrusive soil and/or groundwater sampling and analysis.

Conclusion

The REIT is of the view that current estimated cost of expenditures with respect to actual or potential environmental conditions of the Acquisition Properties will not have a material adverse effect on its operations or financial results. The REIT is not aware of any material non-compliance with environmental laws at any of the Acquisition Properties that it believes would have a material adverse effect on the REIT. The REIT is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Acquisition Properties that would materially affect the REIT. It is expected that the REIT will implement policies and procedures to assess, manage, and monitor environmental conditions at the Acquisition Properties and to manage exposure to liability. However, the REIT cannot assure Unitholders that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to the Acquisition Properties or any future property held by the REIT. See "Risk Factors – Environmental contamination on properties may expose the REIT to liability and adversely affect our financial performance" and "Risk Factors – Limitations of appraisals and engineering and environmental reports".

Property Condition Assessments

In June 2014, a property condition assessment report (the "**PCA Reports**") was prepared in connection with each of the Acquisition Properties. An independent France-based consultant was selected to undertake a visual inspection of each of these properties in connection with their acquisition by the REIT. The purpose of the PCA Reports was to advise on any aspects of the applicable property's design, construction and condition that the independent consultant believed would have a material bearing on the proposed acquisition.

Each of the PCA Reports catalogued ongoing repairs, maintenance and replacement of capital items in respect of the Acquisition Properties. The PCA Reports also identified and quantified principal items of disrepair, damage and non-compliance which would likely necessitate capital expenditures both in the short and medium term (i.e. one to five years) and over the long term (i.e. six to ten years) from the date of the PCA Report. Based on the PCA Reports, the Acquisition Properties appear to be satisfactorily maintained in accordance with their use.

The PCA Reports identified approximately (i) €394,000 ($559,519) in estimated possible maintenance and capital expenditure costs in the first year, (ii) €1,994,700 ($2,832,673) in estimated possible maintenance and capital expenditure costs in years two to five, and (iii) €534,000 ($758,333) in estimated possible maintenance and capital expenditure costs in years six to ten.

Conclusion

Upon acquiring the Acquisition Properties, as part of our annual property review program, Inovalis and the REIT will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the Acquisition Properties remain competitive. The REIT and Inovalis manage capital expenditures prudently and maintain the physical improvements of the Acquisition Properties in good condition. The REIT and Inovalis also expend capital on upgrades where appropriate, especially if the REIT believes such spending will accelerate lease-up of vacant space and assist in the retention of expiring tenants.

CONSOLIDATED CAPITALIZATION OF THE REIT

The following table sets forth the pro forma consolidated capitalization of the REIT as at June 30, 2014, both before and after giving effect to the Offering and use of proceeds therefrom, including the transactions described under "The Acquisitions". The figures set forth below do not account for the exercise, if any, of the Over-Allotment Option.

	As at June 30, 2014 Before giving effect to the Offering and the Acquisitions 000's	As at June 30, 2014 After giving effect to the Offering and the Acquisitions 000's
Indebtedness		
Mortgage Loans	48,913	48,913
Finance Lease Liabilities	103,915	145,613
Exchangeable Securities	14,451	18,595
Unitholders' Equity		
Units	111,269	151,462
Total	278,548	364,583

USE OF PROCEEDS

The estimated net proceeds to the REIT from its sale of the Offered Units, after deducting the Underwriters' fee of $1,480,002 and the estimated expenses of this Offering of $900,000, but before giving effect to any exercise of the Over-Allotment Option, will be approximately $34,620,048. In addition, the REIT will receive $4,111,000 from the sale of Exchangeable Securities to Inovalis. The REIT intends to use such net proceeds to fund, in part, as to $16,550,000 to fund the cash portion of the purchase price in respect of the Acquisitions, as to $17,751,250 to fund the Acquisition Loan and the balance for future acquisitions and general trust purposes. The completion of the Offering is not conditional on the closing of the acquisition of the Acquisition Properties or the making of the Acquisition Loan and there can be no assurance that all conditions to closing of such acquisition or loan will be satisfied or waived. In the event that the REIT is unable to consummate one or more of the acquisitions of the Acquisition Properties or the Acquisition Loan and the Offering is completed, the REIT would use all or a portion of the net proceeds of the Offering to fund future acquisitions and for general trust purposes.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the REIT has agreed to issue and sell, and the Underwriters have severally agreed to purchase, as principals, on the date of the Closing, or such other date as may be agreed upon by the REIT and the Underwriters, but in any event not later than November 28, 2014, an aggregate of 3,978,500 Offered Units at a purchase price of $9.30 per Unit, for an aggregate gross consideration of $37,000,050, payable in cash to the REIT, in accordance with the terms of the Underwriting Agreement, by the Underwriters against delivery of the Offered Units on the Closing Date. The first cash distribution to which purchasers of Offered Units under the Offering will be entitled to participate will be for the month of November 2014, expected to have a record date of November 30, 2014, and a payment date on or about December 15, 2014. The Underwriters will receive an aggregate fee of $1,480,002 (or 4% of the gross proceeds of the Offering), payable on Closing. The Offering Price of the Units was determined by negotiation between the REIT and the Underwriters.

The REIT has granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part at any one time up to 30 days after Closing, to purchase up to 596,775 additional Units at the Offering Price. If the Over-Allotment Option is exercised in full, the total price to the public, the Underwriters' fee and the net proceeds to the REIT, before deducting the expenses of the Offering, will be $42,550,057.50, $1,702,002.30 and $40,848,055.20, respectively. A purchaser who acquires Units forming part of the Over-Allotment Option acquires those Units under this prospectus, regardless of whether the Underwriters' over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Offered Units shall be identical in their terms to all other Units of the REIT.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint and several) and conditional and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Offered Units if any of the Offered Units are purchased under the Underwriting Agreement. Under the Underwriting Agreement, the REIT has agreed to indemnify and hold harmless the Underwriters and their respective officers, directors, employees, shareholders, partners, advisors and agents against certain liabilities and expenses and to contribute to payments the Underwriters may be required to make in respect thereof.

The Underwriters propose to offer the Offered Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Offered Units at the Offering Price, the Offering Price of the Offered Units may be decreased and may be further changed from time to time to amounts not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Offered Units is less than the amount paid by the Underwriters to the REIT.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Units other than pursuant to the Underwriting Agreement. The foregoing restriction is subject to certain exceptions including: (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada and under similar provisions of policy statements of certain securities regulators; and (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Offered Units at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The TSX has conditionally approved the listing of the Offered Units to be distributed under this short form prospectus. Listing will be subject to the REIT fulfilling all of the requirements of the TSX on or before January 15, 2015.

The Underwriting Agreement provides that, except for the issuance of the Units and the Exchangeable Securities being purchased by Inovalis as a result of this offering, the REIT will not, directly or indirectly, issue, sell or grant any option to purchase or agree to announce any intention to issue, sell or grant any option to purchase, any additional equity or quasi-equity securities for a period of 90 days after the Closing Date without the prior written consent of Desjardins Securities Inc., such consent not to be unreasonably withheld, except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to any compensation plans of the REIT; (ii) the exercise of the Over-Allotment Option; (iii) the issuance of securities in connection with property acquisitions in the normal course of business; (iv) the issuance of securities in connection with the payment of fees under the Management Agreement; and (v) the issuance of securities in connection with the REIT's DRIP.

This Offering is being made in each of the provinces of Canada. The Offered Units have not been and will not be registered under the U.S. Securities Act or any U.S. state securities laws and may not be offered or sold in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Units may not be offered or sold within the United States.

Subscriptions for the Offered Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Except as otherwise provided herein, the Units to be issued in the Offering will be issued in "book-entry only" form and be represented in the form of one or more fully registered Unit certificates registered in the name of CDS or its nominee and held by, or on behalf of, CDS, as depositary of the Unit certificates for the participants of CDS (a "**CDS-Registered Unit Certificate**"). Except as described below, it is expected that registration of ownership and transfers of Units will be effected through the book-based system administered by CDS. The REIT understands that each purchaser acquiring a beneficial interest in a Unit represented by a CDS-Registered Unit Certificate will receive a customer confirmation of purchase from the Underwriter from whom the beneficial interest is purchased in accordance with the practices and procedures of the selling Underwriter. Neither the REIT, Inovalis nor the Underwriters shall have any responsibility or liability for: (i) any aspect of the records relating to the beneficial ownership of Units held by CDS or any payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to Units; or (iii) any advice or representation made by or with respect to CDS and contained in the prospectus, and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a participant of CDS. The rules governing CDS provide that it acts as the agent and depository for the participants of CDS. As a result, participants of CDS must look solely to CDS and a purchaser acquiring a beneficial interest in Units represented by a CDS-Registered Unit Certificate must look solely to participants of CDS for any payments relating to Units paid by or on behalf of the REIT to CDS. See "Description of Units – Book-Based System for Units".

RETAINED INTEREST

Upon the acquisition by the REIT of properties managed by Inovalis prior to termination of the Management Agreement, Inovalis is required to, concurrently with the closing of such acquisition and subject to regulatory approval, subscribe for that number of Exchangeable Securities (i) having an aggregate value equal to approximately 10% of the equity portion of the purchase price of such properties, and (ii) that are exchangeable into that number of Units as is equal to such approximate 10% equity portion divided by the VWAP of the Units for the five trading days prior to the closing of the applicable acquisition which will be subject to an escrow arrangement whereby they will be automatically released from escrow to Inovalis on the third anniversary date of the applicable acquisition. As the Acquisition Properties are managed by Inovalis, Inovalis will, concurrently with the completion of the Acquisition, acquire Exchangeable Securities having an aggregate value equal to approximately €2,894,866 ($4,111,000), being 10% of the equity portion of the purchase price of the Acquisition Properties, which Exchangeable Securities will be exchangeable into Units. Following completion of the Offering and the acquisition of such Exchangeable Securities, Inovalis will own approximately 12.5% of the outstanding Units on a fully-exchanged basis assuming the Over-Allotment Option is not exercised.

The Exchange Agreement between the REIT, Luxco and Inovalis grants Inovalis the right to require the REIT to exchange the Exchangeable Securities for Units, subject to customary anti-dilution adjustments and adjustments in accordance with the Declaration of Trust.

Pursuant to the terms of the Exchange Agreement, Inovalis has been granted demand and "piggy-back" registration rights by the REIT that will enable it to require the REIT to file a prospectus and otherwise assist with a public offering of Units for so long as Inovalis owns at least 10% of the outstanding Units on a fully diluted basis, subject to certain limitations. Inovalis has provided an acknowledgement and waiver to the REIT that confirms it is not exercising its right to "piggy-back" on the qualification of the securities offered hereby.

DESCRIPTION OF UNITS

General

The REIT is authorized to issue an unlimited number of Units and Special Voting Units pursuant to the Declaration of Trust. As at October 23, 2014, there were 11,297,059 Units outstanding and 1,529,432 Special Voting Units outstanding.

The Offered Units shall be identical in their terms to all other Units of the REIT. The following is a summary of the material attributes and characteristics of the Units. For additional information respecting the Units, including restrictions on non-resident Unitholders, the redemption rights attached to the Units, provisions for the repurchase of Units by the REIT from time to time and meetings of Unitholders, see the Declaration of Trust (available at www.sedar.com) and the section entitled "Declaration of Trust" starting at page 44 of the AIF which AIF is incorporated herein by reference.

Units

No Unit has any preference or priority over another. Each Unit represents a Unitholder's proportionate undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of unitholders and to participate pro rata in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units are fully paid and non-assessable when issued and are transferable. The Units are redeemable at the holder's option, and the Units have no other conversion, retraction, redemption or pre-emptive rights.

Units are redeemable at any time on demand by the holders thereof. Upon receipt of the redemption notice by the Transfer Agent and the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of: (a) 90% of the Market Price of a Unit calculated as of the date on which the Units were surrendered for redemption; and (b) 100% of the Closing Market Price calculated on the date on which the Units were surrendered for redemption. Cash payable on redemptions will be paid pro rata in cash to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units, then the balance of the Redemption Price for such Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie to such Unitholder of Redemption Notes or securities of a REIT subsidiary or other property of the REIT, as determined by the Trustees in their sole discretion.

Exchangeable Securities and Special Voting Units

The Exchangeable Securities are accompanied by Special Voting Units, which have no economic entitlement in the REIT but entitle the holder to one vote per Special Voting 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 for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Special Voting Units will be issued in conjunction with exchangeable securities to which they relate, and will be evidenced only by the certificates representing such exchangeable securities. Special Voting Units are not transferable separately from the exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such exchangeable securities. Each Special Voting Unit will entitle the holder thereof to that number of votes at any meeting of unitholders that is equal to the number of Units that may be obtained upon the exchange of the exchangeable securities to which such Special Voting Unit is attached. Upon the exchange or surrender of an exchangeable securities for a Unit, the Special Voting Unit attached to such exchangeable securities will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto. Special Voting Units shall not be transferable separately from the Exchangeable Securities to which they relate and will automatically be transferred upon the transfer of any such Exchangeable Securities. Special Voting Units may only be transferred to permitted transferees of Special Voting Units.

Limitation on Non-Resident Ownership

Since the REIT does not own taxable Canadian property (as defined in the Tax Act) the REIT is not subject to restrictions on its ownership by non-Canadian investors.

Book-Entry Only System

At the option of the Trustees, one or more global unit certificates (each a "**Global Unit Certificate**") may be issued in the name of and deposited by the Transfer Agent with, or on behalf of, CDS as custodian of such global unit certificate and registered by the Transfer Agent in the name of CDS or its nominee. No beneficial holder of Units represented in part by a Global Unit Certificate will be entitled to a certificate or other instrument from the REIT or CDS evidencing that beneficial holder's ownership thereof except in the circumstances where CDS resigns or is removed from its responsibilities as depository and the REIT is unable or does not wish to locate a qualified successor. Beneficial interests in a Global Unit Certificate will be represented only through the book-entry system of CDS. Transfers of Units between participants of CDS shall occur in accordance with CDS's rules and procedures.

Units issued in the form of a Global Unit Certificate will be issued in fully registered form to holders or their nominees, other than CDS or its nominee, only if: (i) the REIT is required to do so by applicable law; (ii) the depository system of CDS ceases to exist; (iii) the REIT determines that CDS is no longer willing or able or qualified to discharge properly its responsibility as depository and the REIT is unable to locate a qualified successor; or (iv) the REIT at its option elects to terminate the book-entry system in respect of such Units through CDS. Other than in the case of book-entry only securities, Unit certificates may be presented for registration or transfer (with the form of transfer endorsed thereon and duly executed) at the office of any transfer agent designated by the REIT for such purpose with respect to any such Units. Reasonable service charges may be levied for such transfers, conversions or exchanges of the Units. The REIT may require payment of a sum to cover any tax or governmental charge payable in connection therewith. The transfer agent will effect such transfer, conversion or exchange only when satisfied with the documents of title and the identity of the person making the request.

Distribution Reinvestment Plan

A Distribution Reinvestment Plan ("**DRIP**") is in place pursuant to which Unitholders may elect to have cash distributions of the REIT automatically reinvested in additional Units at a price per Unit equal to the VWAP for the five (5) trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units with a value equal to 3% of each distribution that was so reinvested by the Unitholder. Unitholders resident outside of Canada will not be entitled to participate in the DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the DRIP. For the year ended December 31, 2013, a total of 2,759 Units were issued to Unitholders who chose to take advantage of the DRIP for the distributions in September through to December 2013. As of October 23, 2014, approximately 1.5% of the Units were enrolled in the DRIP.

Unitholders' Rights Plan

The REIT has established a Unitholders' rights protection plan (the "**Rights Plan**"). The purposes of the Rights Plan are as follows: (i) to ensure, to the extent possible, that the Trustees have sufficient time to consider and evaluate any unsolicited take-over bid for the Units or other acquisition of control of the REIT; (ii) to provide the Trustees with adequate time to explore and develop alternatives, in order to maximize unitholder value; and (iii) to ensure, to the extent possible, the equal treatment of unitholders in connection with any unsolicited take-over bid. One Right is attached to each outstanding Unit. For additional information on the Rights Plan and when the Rights will separate from the Units to become exerciseable, please refer to "Unitholder Rights Plan" on page 50 of the AIF.

Rights of Unitholders

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units are not shares in the REIT and holders do not have statutory rights of shareholders of a corporation incorporated under either the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act* (Canada), including, for example, the right to bring "oppression" or "derivative" actions. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

PRIOR SALES

The following table sets forth the details regarding all issuances of Units, including issuances of all securities convertible into Units, over the 12-month period prior to the date hereof:

Date of Issue	Security Issued	Reason for Issuance	Number of Securities Issued	Unit Price ($) / Bonus Price ($)
October 15, 2013	Units	Distribution Reinvestment Plan	371	$8.85 / $8.59
November 15, 2013	Units	Distribution Reinvestment Plan	500	$8.68 / $8.43
December 16, 2013	Units	Distribution Reinvestment Plan	656	$8.80 / $8.54
December 31, 2013	Exchangeable Securities	Management Fees	Exchangeable Securities exchangeable for 53,995 Units	$8.80
January 15, 2014	Units	Distribution Reinvestment Plan	672	$8.89 / $8.63
February 18, 2014	Units	Distribution Reinvestment Plan	1,387	$8.86 / $8.60
March 17, 2014	Units	Distribution Reinvestment Plan	1,396	$8.87 / $8.61
March 31, 2014	Exchangeable Securities	Management Fees	Exchangeable Securities exchangeable for 47,337 Units	$9.62
April 15, 2014	Units	Distribution Reinvestment Plan	1,248	$9.85 / $9.56
May 15, 2014	Units	Distribution Reinvestment Plan	1,206	$9.89 / $9.60
June 16, 2014	Units	Distribution Reinvestment Plan	1,232	$9.87 / $9.58
June 30, 2014	Exchangeable Securities	Management Fees	Exchangeable Securities exchangeable for 44,647 Units	$9.79
July 15, 2014	Units	Distribution Reinvestment Plan	1,224	$9.74 / $9.46
August 15, 2014	Units	Distribution Reinvestment Plan	1,239	$9.73 / $9.45
September 15, 2014	Units	Distribution Reinvestment Plan	1,193	$9.87 / $9.58
September 30, 2014	Exchangeable Securities	Management Fees	Exchangeable Securities exchangeable for 48,763 Units	$9.74

Other than as set forth above or with respect to the Offered Units to be issued pursuant to the Offering, there have been no material changes to the number of Units outstanding since October 2013.

PRICE RANGE AND TRADING VOLUME OF UNITS

The Units are listed and posted for trading on the TSX under the trading symbol "INO.UN". The following table shows the monthly range of high and low prices per Unit and total monthly volumes traded on the TSX over the 12 months prior to the date hereof:

Month	Price per Unit Monthly High	Price per Unit Monthly Low	Total Monthly Volume
	($)	*($)*	*(Units)*
September 2013	$9.35	$8.88	255,111
October 2013	$9.05	$8.55	479,900
November 2013	$9.29	$8.52	303,745
December 2013	$9.10	$8.60	178,835
January 2014	$9.07	$8.70	438,462
February 2014	$8.96	$8.75	408,487
March 2014	$9.91	$8.83	407,917
April 2014	$10.00	$9.67	237,826
May 2014	$10.01	$9.55	322,964
June 2014	$9.95	$9.71	184,114
July 2014	$9.88	$9.67	407,723
August 2014	$9.96	$9.61	249,298
September 2014	$9.95	$9.78	161,683
October 1, 2014 to October 29, 2014	$9.77	$9.21	813,903

On October 16, 2014, being the last day on which the Units traded prior to the public announcement of the Offering, the closing price of the Units on the TSX was $9.59.

DISTRIBUTIONS

The following outlines the distribution policy of the REIT. Subject to compliance with such distribution policy, determinations as to the amounts distributable are in the discretion of the REIT's Trustees to determine the percentage payout of income that would be in the best interests of the REIT in accordance with the REIT's Declaration of Trust. Given that the level of working capital tends to fluctuate over time and should not affect the REIT's distribution policy, working capital is not considered when determining distributions.

To ensure the predictability of distributions to Unitholders, the REIT has established an active foreign exchange hedging program. In April 2014, the REIT unwound existing hedge arrangement and entered into a new series of monthly currency forward contracts, further to which, each month the REIT sells €486,000 at a rate of 1.5437 and receives $750,000. As such, the exchange rate relating to 98% of the REIT's current distributions are secured by these foreign currency forward contracts until April, 2017. The new hedging contracts have been designated as hedges of the REIT's net investment in a foreign operation and the REIT has therefore applied standards related to hedge accounting.

From the completion of the REIT's IPO on April 10, 2013 to September 30, 2014, the REIT paid monthly distributions of $0.06875 per Unit to Unitholders, except for the first distribution which represented the stub period of April 10, 2013 to May 31, 2013 and accordingly consisted of a distribution to Unitholders in the amount of $0.11688 per Unit. The first distribution that purchasers of the Offered Units would be entitled to receive, if declared by the Trustees of the REIT, is the distribution expected to be paid for the month of November 2014 and which will be paid on or about December 15, 2014 to Unitholders of record on November 30, 2014.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the REIT, and Blakes, Cassels & Graydon LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a holder of Units and who, for the purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm's length with and is not affiliated with the REIT and holds the Units as capital property (in this section, referred to as a "**Holder**"). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security" (as defined in the Tax Act) owned in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that enters into a "derivative forward agreement" with respect to the Holder's Units; (ii) that is a "financial institution" subject to the mark-to-market rules; (iii) that is a "specified financial institution"; (iv) that is a partnership; (v) an interest in which would be a "tax shelter investment"; or (vi) that has elected to determine its "Canadian tax results" in a foreign currency pursuant to the "functional currency" reporting rules, as each term is defined in the Tax Act. Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) ("**Finance**") before the date hereof ("**Proposed Amendments**"), counsel's understanding of the current published administrative policies and assessing practices of the CRA, and a certificate as to certain factual matters from an executive officer of the REIT. Except for Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign income tax legislation or considerations which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a purchaser's particular status and circumstances, including the province in which the purchaser resides or carries on business. This summary is not intended to be, nor should it construed to be, legal or tax advice to any particular purchaser.

Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

Mutual Fund Trust Status

This summary is based on the assumption that the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. An executive officer of the REIT has advised counsel that it intends to ensure that the REIT will meet the requirements necessary for it to qualify as a mutual fund trust at all times. If the REIT were not to qualify as a mutual fund trust at all times, the income tax considerations, in certain respects, would be materially and adversely different from those described below.

SIFT Rules

The summary is also based on the assumption that the REIT will at no time be a "SIFT Trust" as defined in the rules applicable to "SIFT trusts", "SIFT partnerships" and their investors (the "**SIFT Rules**"). The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts", "SIFT partnerships" (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust's "non-portfolio earnings" are not deductible in computing the SIFT trust's net income. Non-portfolio earnings generally are defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, "non-portfolio properties" (as defined in the Tax Act). The SIFT trust is itself liable to pay income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Non-deductible distributions paid to a holder of units of the SIFT trust generally are deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as "eligible dividends" for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation's "general rate income pool" or "low rate income pool", as the case may be (each as defined in the Tax Act). In general, distributions paid as returns of capital will not be subject to the SIFT Rules.

The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any "non-portfolio property" and does not carry on business in Canada in that year. The investment restrictions as set out in the Declaration of Trust preclude the REIT from holding any "non-portfolio property", as defined in the Tax Act. Provided the REIT does not own any "non-portfolio property", the SIFT Rules should have no application to the REIT or its Unitholders.

Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The REIT's income for purposes of the Tax Act for each taxation year will include, among other things, interest on the Luxco Note that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year, any income or taxable gains allocated to the REIT by a subsidiary partnership, any net realized taxable gains by the REIT in the year and any "foreign accrual property income" ("**FAPI**") earned by a controlled foreign affiliate (a "**CFA**") of the REIT allocable to the REIT, as further described below.

Management has advised counsel that it intends to treat each of Luxco, the OPCI, the French SPVs, CanCorp Hanover and CanCorp Duisburg and any newly formed affiliates of the REIT that may acquire or hold the Acquisition Properties (collectively, the "**REIT Subsidiaries**") as CFAs of the REIT for purposes of the Tax Act. It is expected that income earned by the REIT Subsidiaries will be FAPI. The REIT generally must include in computing its income its "participating percentage" (as defined in the Tax Act) of any FAPI earned by a CFA of the REIT in a particular taxation year in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" (as defined in the Tax Act) applicable to the FAPI, as computed in accordance with the Tax Act, whether or not the REIT actually receives a distribution of FAPI in the taxation year. The adjusted cost base to the REIT of the applicable shares of the applicable CFA will be increased by the net amount so included in the income of the REIT. At such time as the REIT receives a dividend of amounts that were previously included in its income as FAPI, that dividend effectively will not be included in the income of the REIT and there will be a corresponding reduction in the adjusted cost base to the REIT of the applicable shares of the applicable CFA.

For the purposes of the Tax Act, all income of the REIT (including FAPI earned by a CFA) must be calculated in Canadian currency. Where the REIT (or any of its subsidiaries) holds investments or incurs indebtedness denominated in foreign currencies, the cost, proceeds of disposition of such investments or indebtedness, interest, dividends and all other amounts must be translated into Canadian dollars using the appropriate exchange rates determined in accordance with the rules in the Tax Act. Accordingly, gains or losses may be realized by the REIT (or its subsidiaries) as a consequence of fluctuations in the relative value of the Canadian and foreign currencies. The REIT will enter into foreign currency swap arrangements. In accordance with the CRA's published administrative practice, gains and losses on currency hedging transactions may be treated as capital gains and capital losses provided there is sufficient linkage. Where the REIT enters into derivative transactions other than those that are on account of capital, including interest rate swaps, gains and losses on such derivatives will be treated as an income account rather than as capital gains and capital losses.

The REIT may deduct from its income amounts which are paid or become payable by it to Holders in such year. An amount will be considered to be payable in a taxation year if it is paid to a Holder in the year by the REIT or if a Holder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the trustees' current intention is to make payable to Unitholders each year sufficient amounts such that the REIT generally will not be liable to pay any non-refundable tax under Part I of the Tax Act (after taking into account losses and/or capital losses that may be carried forward from prior years). Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT will make one or more in kind distributions in the form of additional Units. Income of the REIT payable to the Unitholders in the form of additional Units generally will be deductible to the REIT in computing its income.

In computing its income or loss, the REIT may deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to the applicable provisions of the Tax Act. The REIT may also deduct any expenses incurred by it in the course of the issuance of its units on a five-year straight line basis (subject to proration for short taxation years).

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

Losses incurred by the REIT cannot be allocated to Unitholders but may be deducted by the REIT in the future years in accordance with the Declaration of Trust and the Tax Act. In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units of the REIT during the year (the "**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the REIT's tax liability for the taxation year arising in connection with the transfer of property in specie to redeeming Holders on the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Holder (as income or taxable capital gains) and will be deductible by the REIT in computing its income.

Taxation of Holders

REIT Distributions

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT, including net realized taxable capital gains, that is paid or payable to the Holder in that taxation year, whether or not those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder. The Declaration of Trust provides that income and net taxable capital gains for purposes of the Tax Act will be allocated to Unitholders in the same proportion as distributions received by the Holders.

Provided that the appropriate designations are made by the REIT, net taxable capital gains realized by the REIT that are paid or become payable to a Holder will retain their character as taxable capital gains to Holders for purposes of the Tax Act. The non-taxable portion of any net realized capital gains of the REIT for a taxation year, the taxable portion of which was designated in respect of a Holder in the year, that is paid or payable to a Holder in a year will not be included in computing the Holder's income for the year and will not reduce the adjusted cost base of the Holder's Units. Any other amount in excess of the net income of the REIT that is paid or payable to a Holder in a year (including additional bonus distributions of Units acquired pursuant to the DRIP) generally should not be included in the Holder's income for the year. However, such an amount which becomes payable to a Holder (other than as proceeds of disposition of Units or any part thereof) will reduce the adjusted cost base of the Units held by such Holder. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder's adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

Provided that the appropriate designations are made by the REIT, such portion of its foreign source income shall retain its character in the hands of a Holder for purposes of the Tax Act. Each Holder's share of the "business-income tax" and "non business-income tax" paid in a foreign country for a year will be creditable against its

Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income as described herein) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments and may be reduced by distributions made by the REIT to a Holder of Units as described above. The cost of additional Units received in lieu of a cash distribution will be the amount of income of the REIT distributed by the issuance of such Units. The cost of Units acquired by re-investment of distributions pursuant to the DRIP will be the amount of such re-investment. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit, whether acquired pursuant to the DRIP or otherwise, will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition. There will be no net increase or decrease in the adjusted cost base of all of a Holder's Units as a result of the receipt of any bonus distribution automatically re-invested in Units under the DRIP; however, the adjusted cost base per Unit of such Holder's Units will be reduced. A consolidation of Units following a distribution of additional Units or reinvestment of cash distributions under the DRIP will not be regarded as a disposition of Units.

A redemption of Units in consideration for cash or other assets of the REIT or Redemption Notes, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such other assets or Redemption Notes, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption consequently will realize a capital gain, or sustain a capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed.

Where income or capital gain realized by the REIT in connection with the distribution of property in specie on the redemption of Units has been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed in specie by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Corporate Holders

A Holder which is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to a refundable tax of 6 2/3% in respect of its aggregate investment income for the year, which will include all or substantially all income and capital gains distributed to the Holder by the REIT and capital gains realized on a disposition of Units.

Each Holder that is a corporation resident in Canada may be required to include in computing its income its proportionate share (based on its percentage ownership of Units) of the amount of interest that would be owing on the NIB Notes, if the rate of interest for that period were equal to a prescribed rate of interest, within the meaning of the Tax Act. Such Holders are advised to consult their personal tax advisors.

Alternative Minimum Tax

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the REIT, paid or payable, or deemed to be paid or payable, to the Holder and that is designated as taxable dividends and net taxable capital gains.

CERTAIN NON-CANADIAN INCOME TAX CONSIDERATIONS

The following summary by management discusses certain material French, Luxembourg and German income and withholding and German real estate transfer tax considerations applicable to the REIT's investment in the Acquisition Properties. It is not exhaustive of all possible tax considerations relevant to those jurisdictions. Moreover, it is based on the REIT's understanding of (i) current tax legislation, (ii) the current interpretation of such legislation in each country, and (iii) each country's administrative policies and assessing practices. No tax opinion has been obtained in connection with the disclosure in this section of the Prospectus. There can be no assurances that the relevant tax legislation, the interpretations thereof, or the administrative policies and the assessing practices will not change in a manner that can adversely affect the REIT or its Unitholders (including with retroactive effect). Further, this summary does not address any tax considerations applicable to a Unitholder. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective holder of Units. Consequently, prospective holders should consult with their own tax advisors regarding an investment in Units.

Certain Material French Corporate Income Tax, VAT, and Withholding Tax Considerations

This summary describes the material French corporate income tax, VAT and withholding tax considerations with respect to OPCI incorporated under the form of a SPPICAV, and its subsidiaries incorporated under the form of SCI under the scope of article 8 of the French tax code.

French tax residency

OPCI and SCIs are established in France where they have their statutory seats and places of effective management.

They should therefore be considered as tax residents in France for the application of the France-Luxembourg Tax Treaty as it is currently drafted.

Corporate income tax

Rental income of the OPCI (properties held directly) or of the French SPVs (in the scope of article 8 of the French tax code) should be tax exempt provided the OPCI fulfills its distribution obligations (article 214-69 of the French Monetary Code):

(a) 85% of the distributable income derived from the leasing of properties held directly or indirectly through entities such as French SPVs; and

(b) 50% of the net capital gains realized upon the sale of real estate assets held directly or indirectly through entities, or the sale of French SPVs' shares.

Financing of the OPCI and French SPVs

Luxco will grant interest bearing loans to the French SPVs.

No withholding tax should be levied on interest payments from the French SPVs to Luxco (article 125 A III of the French tax code).

Dividend Income, Capital Gains and Liquidation Proceeds

A 5% withholding tax should be levied in France on dividend distributions made by the OPCI to Luxco (Article 8-2 on dividends and Article 2-2 of the France-Luxembourg Tax Treaty).

No withholding tax should be levied on allocation of results by the French SPVs to the OPCI.

Capital gains realized by the French SPVs/OPCI on the sale of the real estate properties would be exempt from corporate income tax provided the OPCI fulfills its distribution obligations (50% of the capital gain), which distributions should be subject to a 5% withholding tax as described above. Depending on the status of the real estate properties, VAT or registration duties (5.09% due by the acquirer) may apply.

Capital gains derived from the disposal of French SPVs' shares by the OPCI will be exempt from corporate income tax at the level of the French OPCI provided it fulfills with its distribution obligations, which distributions should be subject to a 5% withholding tax as described above. Registration duties may apply at a 5% rate, and should be due by the shares' acquirer.

No withholding tax should be levied on capital gains realized by Luxco on the sale of OPCI's shares since (i) the OPCI may claim the benefit of the France-Luxembourg tax treaty as it is currently drafted and (ii) according to the tax treaty entered into between France and Luxembourg, capital gains on sale of shares are exclusively taxable in Luxembourg. Sale of OPCI's shares are in principle exempt from registration duties except if the sale concerns more than 20% of the shares (10% if the acquirer is an individual), or if, following the sale, the acquirer will hold more than 20% of the shares (10% if the acquirer is an individual) where 5% registration duties should apply (in principle, due by the acquirer).

On September 5, 2014, the French and Luxembourg Finance ministers signed the fourth amendment to the France-Luxembourg tax treaty which will attribute to France the right to tax capital gains realized upon the sale of shares in French real estate companies by application of article 244 bis A of the French tax code. For OPCI shares, article 244 bis A of the tax code will only be applicable in the case where the seller holds directly or indirectly at least 10% of the OPCI share capital.

It is currently anticipated the amendment will come into force on January 1, 2015 at the earliest and January 1, 2016 at the latest. Once the amendment comes into force, capital gains on the sale of OPCI shares by the Luxembourg shareholder will become taxable in France at a 34.43% rate because it holds 100% of OPCI's share capital.

In case of liquidation of the OPCI, a 5% withholding tax should be levied on the boni of liquidation.

Three Percent Tax

Legal persons, legal organisms, "fiducies", trusts or similar institutions owning directly or indirectly real estate assets in France at January the 1st of a calendar year are in the scope of the 3% tax, which is assessed on the real estate asset's value (article 990 D and followings of the French tax code).

For the application of article 990 D and followings of the French tax code, financial lease agreements are not considered as real estate assets, therefore, as long as the French SPVs will own the real estate assets through financial lease agreements and will not have elected to purchase the real estate assets, the 3% tax will not be applicable, and none of the entities will fall within its scope (OPCI, Luxco, REIT and its direct and indirect shareholders).

The entities will fall within the scope of the 3% tax as from the year following the one during which the French SPVs will have elected to purchase the real estate assets, i.e. 2015 if the election is made in 2014, but may benefit from an exemption.

In this context, once the French SPVs have elected to purchase the real estate assets, the OPCI incorporated with simplified operating rules and leveraging, the French SPVs and Luxco will in principle fall within the scope of the 3% tax; nevertheless, they should benefit from an ordinary exemption either by taking a commitment to disclose their shareholding to the French tax authorities upon request, or by declaring annually their shareholding and the structure of their real estate assets.

With respect to the REIT, it should also fall within the scope of the 3% tax; however, it could benefit from the following exemptions:

(a) entities whose stock, shares, or other rights are subject to significant and regular trading on a regulated market governed by rules similar to the regulated markets of the European Union, as well as legal persons whose entire shares are directly or indirectly held by these entities (Article 990 E 2° b of the French tax code), are exempted from the 3% tax without any specific formalities to be carried out.

Outside of the European Union, the criteria to be taken into account in order to determine whether a stock exchange is governed by rules similar to the regulated markets of the European Union for the purpose of the present exemption are the following ones:

(i) conditions required for an entity whose stock, shares or other rights are listed (regular legal situation, size of the entity, etc.);

(ii) the part of the shares freely available to the investing public;

(iii) level and frequency of minimum transactions required to remain listed;

(iv) knowledge of the identity of the main shareholders by the market authorities;

(v) shareholder's non-discrimination governance rules; and

(vi) obligations relating to the information of the public.

Then, to benefit from the exemption provided for by Article 990 E 2° b) of the French tax code, the entities whose stock, shares and other rights are listed on a regulated market must comply with two cumulative conditions:

(i) their stock, shares or other rights have to be subject to significant trading; and

(ii) their stock, shares or other rights have to be subject to regular trading.

These two criteria have to be analyzed on a case by case basis, taking into account, in particular, the legal and economic background of each entity, as well as the volume and the frequency of transactions its stock, shares or other rights listed on a regulated market are subject to. The possible difficulties in the application of these measures can be submitted to the Direction de la législation fiscale (sous-direction E, bureau E1).

In the case where the REIT would benefit from said exemption, its shareholders and its direct and indirect 100% owned subsidiaries would be de facto exempted from the 3% tax;

(b) foreign entities subject to a legislation equivalent to French retail OPCI are exempted from the 3% tax without any specific formalities to be carried out. In the case where the REIT would benefit from said exemption, its shareholders would be de facto exempted from the 3% tax; and

(c) foreign entities that commit to disclose, upon the request of tax authorities, certain information regarding shareholders, partners and other members or if yearly subscribe to tax return n°2746 are exempted from the 3% tax. The entity will have to disclose, and take the commitment to disclose, the identity and address of shareholders, partners or other members except those owning less owning less than 1% of the shares. In the case where the REIT would benefit from said exemption, each shareholder should check whether or not it falls within the scope of the 3% tax, and may be exempted (being said that individuals are de facto exempted from the 3% tax) since interposed entities are jointly liable for the payment of the 3% tax.

The 3% tax status of the entities and their direct and indirect shareholders will therefore need to be checked carefully once the French SPVs have exercised their options to purchase the real estate assets.

VAT

Depending on their activities and their VAT status, the OCPI and French SPVs may need to register for VAT purposes in France. As a general principle, the French SPVs and the OPCI will need to elect for VAT on the rents on the building to be in a position to obtain the refund of the VAT paid upon acquisition.

As a principle, the VAT election must be realized after the acquisition of the building, by registered letter with acknowledgement of receipt. However, as a result of the new VAT rules, the VAT election enters into effect the month following the VAT election sent to the French Tax Authorities.

Therefore, the REIT would recommend that the OPCI and French SPVs elect for VAT.

Indirect tax status of the transactions

The real estate properties include one asset being held by French financial lessor (French Bank), and rented to French SPV under financial lease agreement, so-called credit-bail (financial lease). Pursuant to the credit-bail agreement, the lessee has the right to use or to sublease the leased property for the duration of the agreement, and the right, at any until the termination of the agreement, to elect to purchase the underlying property at an agreed price, the amount of which depends on the day of said election.

The transfer of ownership of the corresponding property (Vanves Property) will be affected through the sale by the French Inovalis Vehicle lessee of its "lessees' rights" to French SPV.

When selling its rights in the financial lease, the lessee is deemed to sell both its right to use the asset ("**droit de jouissance**"), and its right in the promise to sell granted by the lessor ("**promesse de vente**"). The price allocated to the right to use the building is subject to registration duties at a 5% rate, and the price allocated to the promise follows the VAT regime applicable to the underlying asset. In the present case, as long as the buildings are achieved for more than 5 years, the sales should be exempted from VAT.

Certain Material Luxembourg Corporate Income, Municipal Business, Net Wealth and Withholding Tax Considerations

This summary describes the material Luxembourg corporate income tax, municipal business tax, net wealth tax and withholding tax considerations with respect to Luxco, CanCorp Hanover and CanCorp Duisburg.

Taxation of Luxco, CanCorp Hanover and CanCorp Duisburg

Luxembourg tax residency Luxco, CanCorp Hanover and CanCorp Duisburg were established in Luxembourg as fully taxable companies, subject to annual corporate income, municipal business and net wealth taxes.

In order to be considered as tax resident in Luxembourg for Luxembourg tax purposes, the companies must have their statutory seats or central administration in Luxembourg.

Luxco, CanCorp Hanover and CanCorp Duisburg should therefore be considered as tax residents in Luxembourg for Luxembourg tax purposes.

Minimum Income Tax

There is a minimum corporate income tax in Luxembourg amounting to EUR 3,210 in 2014 (including solidarity surcharge) per company whenever the corporation has zero or negative taxable income. Luxco, CanCorp Hanover and CanCorp Duisburg are likely to be subject to this minimum corporate income tax depending on their balance sheet items. After computation of the corporate income tax, if the tax charge is finally higher than the minimum corporate income tax, the minimum corporate income tax is not applicable.

Financing of Luxco

The Issuer will transfer funds received from the Offering to Luxco in order to finance investments in the OPCI. The Issuer will own 90% of the share capital in Luxco and will also grant an interest bearing loan to Luxco (such interest bearing loan funding the loans to be granted by Luxco to affiliated entities). Furthermore, additional funding will be provided by the Issuer to Luxco through the NIB Notes.

Thin Capitalization Rules

There are no thin capitalization rules formally embodied in Luxembourg tax law. However, it is required by current tax administrative practice that participations reflected in the balance sheet of a Luxembourg resident fully taxable company are financed by a maximum of 85% interest-bearing debt.

The participations of Luxco in CanCorp Hanover and CanCorp Duisburg and in the OPCI will be financed with a mix of equity and other financing instruments which will comply with the Luxembourg debt-to-equity ratio.

Dividend Income, Capital Gains and Liquidation Proceeds

Participation in CanCorp Hanover and CanCorp Duisburg

Luxco benefits from the Luxembourg participation exemption on any dividend income or liquidation proceeds received from CanCorp Hanover and CanCorp Duisburg. Such dividends and liquidation proceeds are exempt from corporate income and municipal business tax provided that conditions relating to a shareholding threshold (10% direct shareholding or a direct participation of an acquisition price of at least €1.2 million for dividends and liquidation proceeds) and a 12 months holding period are met.

Regarding capital gain on the shares in CanCorp Hanover and CanCorp Duisburg, it has to be analyzed whether the Luxembourg/Germany double tax treaty should allocate an unlimited primary right to tax capital gains to Luxembourg or to Germany. Please refer to German tax comments for the tax treatment of such capital gain if the right to tax is allocated to Germany.

If the right to tax the capital gain is allocated to Luxembourg based on the Luxembourg/Germany double tax treaty, it should benefit from the Luxembourg participation exemption (provided the minimum 12-months holding period is respected), but should remain taxable up to the sum of the expenses and write-downs in value connected with the participation which have been tax deductible in previous years or during the year of realization of the capital gain, and which reduced the taxable basis of the company (i.e. the recapture amount). The taxation of such recapture amount is limited to the amount of the capital gain realized upon disposal of the qualifying participation.

Participation in the OPCI

Pursuant to certain technical arguments, dividends and liquidation dividends derived by Luxco from the OPCI may be tax exempt in Luxembourg for corporate income tax and municipal business tax purposes. However, no assurance can be given in this regard.

Based on the current Luxembourg/France double tax treaty, capital gains realized on a disposal of the shares of the OPCI should be fully taxable in Luxembourg where no exemption should be available. On 5 September 2014, France and Luxembourg signed a new protocol to the tax treaty which should grant the taxation right on said capital gains to France, once the protocol will enter into force.

Rental Income

CanCorp Hanover has entered into a leasing and sub-leasing agreement through which it realizes spread profits.

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. Please refer to German tax comments for the tax treatment of such rental income.

Interest Income and Transfer Pricing Luxembourg resident fully taxable companies carrying out intra-group financing transactions generally are required to realize a taxable arm's length financing margin on such transactions which generally should be documented by a transfer pricing study. In addition, substance (the main one being the requirement to have the majority of the board members of the Luxembourg companies being Luxembourg tax residents) and equity requirements are imposed on those companies. As Luxco will perform intra-group financing activities, those requirements should also be applicable to Luxco.

The financing margin, as well as any other interest income received is fully taxable in Luxembourg (at a tax rate of 29.22% for the 2014 taxation year).

Interest Expenses

Interest expenses on debt instruments may be tax deductible if they are on arm's length terms and not related to tax exempt income.

Net Wealth Tax

Luxco, CanCorp Hanover and CanCorp Duisburg are subject to Luxembourg annual net wealth tax at a rate of 0.5% applied on net assets as determined for net wealth tax purposes. The minimum net wealth tax for a société à responsabilité limitée is currently EUR 25.

Luxco is subject to net wealth tax only on its non-exempt assets that are financed by equity. Luxco's assets are mainly net wealth tax exempt or financed by debt.

The real estate assets of CanCorp Hanover and CanCorp Duisburg (if any) that are located in Germany should be exempt from net wealth tax in Luxembourg based on the double tax treaty concluded between Luxembourg and Germany. The debt financing such exempt assets should therefore not be deductible for net wealth tax purposes in Luxembourg.

Withholding Tax on Dividends

Dividend distributions generally are subject to 15% Luxembourg withholding tax unless the participation exemption regime applies or a reduced rate by virtue of a double tax treaty can apply.

The 100% participation held by Luxco in CanCorp Hanover and the 50% participation held by Luxco in CanCorp Duisburg comply with the conditions of the participation exemption regime and, therefore, dividends paid by CanCorp Hanover and CanCorp Duisburg to Luxco are exempt from the 15% withholding tax (provided that the minimum 12 months holding period is met).

The qualification of the Issuer for such benefits will depend on its tax status in Luxembourg (i.e., tax transparency, submission to comparable taxation in Canada, etc.). If the Issuer is considered transparent for Luxembourg tax purposes, an analysis of the tax status of each Unitholder must be performed for the purposes of the application of the withholding tax exemption under the Luxembourg participation exemption regime or of a reduced rate under a double tax treaty.

Withholding Tax on Interest

Luxembourg tax law generally does not provide for any withholding tax on (arm's length) interest payments, unless the European Union Savings Directive (EUSD) applies.

Interest payments from Luxco to the Issuer should not fall within the scope of the EUSD notwithstanding the tax status of the Canadian Issuer.

No Luxembourg withholding tax should be levied on the (partial or full) repayment of a debt instrument.

Withholding Tax on Liquidation Proceeds

Luxembourg tax law generally does not provide for any withholding tax on liquidation proceeds.

Non Resident Capital Gain Taxation

According to Luxembourg domestic tax law, the capital gain on a sale (or deemed sale) of a shareholding in a Luxembourg company realized by a non-Luxembourg resident shareholder might be subject to non-resident capital gain tax in Luxembourg if the Luxembourg company's shareholders (a company or individual resident in a country with which Luxembourg has no double tax treaty or a treaty that allocates the taxation right of capital gains to Luxembourg) have held directly or indirectly a shareholding of more than 10% in the Luxembourg company and the sale (or deemed sale) takes place within 6 months after the acquisition of such a shareholding.

If the Issuer is considered transparent for Luxembourg tax purposes, the Issuer should be disregarded for the computation of the 10% threshold and therefore this computation should be made for each Unitholder holding shares in Luxco indirectly through the Issuer.

Chamber of Commerce Membership Fee

A Luxembourg company having a commercial, financial or industrial activity generally is subject to the annual Luxembourg Chamber of Commerce membership fee which amounts to a rate ranging from 0.025% to 0.2% (depending on the assessable basis) of the company's taxable basis (before tax losses) of the last but one fiscal year, (i.e. the membership fee of year N is based on the tax basis (before tax losses) of year N-2). The minimum contribution amounts to EUR 70 for an SARL and EUR 140 for corporations other than an SARL.

If Luxco mainly performs holding activities and is classified by the Chamber of Commerce as a "**SOPARFI**" (based on the NACE code of the European Community – to be checked on the assessment to be received from the Chamber of Commerce), a lump sum membership fee of EUR 350 applies.

VAT

Depending on its activities and its VAT status, Luxco, CanCorp Hanover and CanCorp Duisburg may need to register for VAT purposes in Luxembourg without necessarily benefiting from an input VAT recovery right.

Certain Material German Income, Withholding and Real Estate Transfer Tax Considerations

This summary describes certain material German income tax, trade tax, withholding tax and real estate transfer tax considerations with respect to the Hanover Property, the Duisburg Property, CanCorp Hanover and CanCorp Duisburg.

The REIT indirectly holds 90% of the shares in CanCorp Hanover, which holds a purchase option regarding the Hanover Property against the Hanover Owner ("**German Property Option**"), and is entitled under a usufruct regarding the Hanover Property for the current sublease agreements with the tenants of the Hanover Property ("**German Subleases**") and the head lease with the Hanover Owner regarding the Hanover Property ("**Head Lease**"). The REIT indirectly holds 50% of the shares in CanCorp Duisburg, which directly holds the Duisburg Property.

German Real Estate Transfer Tax

The direct transfer of German real property is subject to German real estate transfer tax ("**RETT**"). RETT is determined based on the purchase price of German real property (plus any other benefit granted in connection therewith) at the applicable tax rate. The RETT rate depends on the German Federal State where the property is located; rates range from 3.5% to 6.5%. Although the purchaser and the buyer are jointly liable for RETT under the German Real Estate Transfer Tax Act, RETT generally is borne by the purchaser.

The assumption of the Head Lease and the German Sublease by CanCorp Hanover, the granting of the new and sole usufruct for the benefit of CanCorp Hanover as well as the acquisition of the German Property Option should not trigger RETT. This is due to the fact that Podes 3 remains the legal owner of the Hanover Property and assumes that Podes 3 does not transfer the rights regarding the beneficial utilisation of the Hanover Property (wirtschaftliche Verwertungsbefugnis). If – in contrast to the analysis of CanCorp Hanover – any RETT would be triggered by the transfer of the German Property Option to CanCorp Hanover, the German Inovalis Vehicle has agreed to assume any such RETT liability.

If and when CanCorp Hanover exercises the purchase option for the Hanover Property, the RETT will be triggered (currently at a rate of 4.5%) on the purchase price for the Hanover Property. Following common market practice, such RETT would be borne by CanCorp Hanover and as purchaser.

No Withholding Tax on Lease Payments

Under German law, no German withholding tax should be levied on lease payments for the lease of the Hanover Property.

Taxation of CanCorp Hanover

CanCorp Hanover is a Luxembourg limited liability company that is managed in Luxembourg and, therefore, should not be considered to be a tax resident of Germany for German tax purposes. However, CanCorp Hanover would be subject to tax in Germany on its German source income.

Provided the envisaged treatment of the head leases and sub leases structure is achieved (i.e. the Hanover Owner will be regarded as the beneficial owner of the Hanover Property for German tax purposes), CanCorp Hanover would realize income from the sub-leasing of the Hanover Property and would have expenses in form of rental payments under the Head Lease entered into with the Hanover Owner, whereas rental prepayments would generally be amortised over the period for which the prepayment was made. As CanCorp Hanover's rental revenues would be German source income, such (net) income would be subject to German corporate income tax ("**CIT**"), even if CanCorp Hanover is not a German tax resident. The right to tax such income by Germany should not be waived under the double tax treaty between Germany and Luxembourg because the Hanover Property is 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 taxpayer 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.

The deduction of interest expenses must reflect arm's length terms and generally is restricted by the so-called "interest capping rules". These rules apply to limit the deduction of all interest expenses incurred for German tax purposes. In general, interest expenses may only be deducted up to the amount of the gained interest income plus a maximum of 30% of the taxable EBITDA (earnings before interest, tax, depreciation and amortization as adjusted under German tax law). However, an exception is available where annual interest expenses reduced by the gained interest income of one taxpayer/business is less than €3 million for each taxpayer.

Generally, for corporate income tax purposes, losses incurred by a taxpayer may be carried back and offset against taxable income of the preceding year (with a current loss carry back limit of €511,500). Alternatively, losses may be carried forward indefinitely; however, the use of losses in any future year is restricted insofar as they may be used to offset profits of a year without restriction up to an amount of €1 million and against only 60% of the taxable income in excess of €1 million.

The taxable (net) income of CanCorp Hanover generally consists of leasing income from the sub-tenants as reduced by (i) lease payments to the Hanover Owner and Duisburg Owner under the Head Lease, (ii) other operating expenses connected to the subleasing, and (iii) financing expenses directly and economically connected to the leasing business (if any). Deductions of interest expenses should not be limited under the German interest barrier rules provided that the net interest expenses of CanCorp Hanover are below €3 million p.a. and any financing agreements (including the German Note) comply with arm's length principles.

In addition to CIT, every taxpayer that carries on business in Germany through a permanent establishment located in Germany, as defined under German tax law, is subject to municipal trade tax ("**TT**"). The character of the TT is that of an additional corporate income tax and the rates vary between 7.0% and 17.5%, depending on the municipality in which the business operations are carried on. While CanCorp Hanover will derive income from the sub-leasing of the Hanover Property, that is deemed to be business income for German tax purposes, and should not be subject to German trade tax on its German source income from leasing if it does not have a permanent establishment in Germany. Provided that CanCorp Hanover does not actually use the Hanover Property and exclusively sub-leases the property to tenants, the mere fact that CanCorp Hanover have leased German real property should not create a German permanent establishment.

RISK FACTORS

There are certain risks inherent in an investment in the Units and in the activities of the REIT. In addition to the risks described herein, reference is made to the section entitled "Risk Factors" beginning on page 24 of the AIF and the section entitled "Risks and Uncertainties" beginning at page 24 of the Annual MD&A and at page 18 of the Q2 MD&A, each of which is incorporated herein by reference. Prospective investors should carefully consider, in light of their own financial circumstances, the risk factors set forth in the information incorporated by reference herein and all of the other information contained in this short form prospectus (including without limitation the documents incorporated herein by reference) before purchasing any of the Offered Units distributed under this short form prospectus. The risks described herein are not the only risks facing the REIT. Additional risks and uncertainties not currently known to the REIT, or that the REIT currently deems immaterial, may also materially and adversely affect its business.

Acquisition Risks

The REIT expects to complete the Acquisitions and the Acquisition Loan, subject to satisfactory completion of closing conditions, as described in more detail in the section entitled "The Acquisitions". However, the REIT has no control over whether or not the conditions will be met and there can be no assurance that all conditions will be satisfied or waived or that any or all of the Acquisitions or the Acquisition Loan will be consummated.

If one or both Acquisitions or the Acquisition Loan is not consummated, the REIT may realize a number of risks, including: (i) the price of the Units may decline to the extent that the relevant current market price reflects a market assumption that the Acquisitions and the Acquisition Loan will be consummated; (ii) certain costs related to the transactions, such as legal, accounting and consulting fees, must be paid even if one or more of the Acquisitions or the Acquisition Loan is not completed; and (iii) the REIT may be unable to identify other investments offering financial returns comparable to those of the Acquisition Properties.

Expected returns on the Acquisitions and the Acquisition Loan may not be realized

The acquisition of the Acquisition Properties involves risks that could materially and adversely affect the REIT's business plan, including the failure of such acquisitions and loan to realize the results the REIT expects. While management considers such acquisitions and loan not to be dilutive to the REIT's AFFO, such determination should not be regarded as a guarantee of future performance or results.

Historical financial information and pro forma financial information may not be indicative of future results

The historical financial information relating to the Acquisition Properties included in this prospectus has been derived on a historical basis from the historical accounting records of the Acquisition Properties. The REIT believes that management of the Acquisition Properties have made reasonable assumptions underlying the historical financial statements. However, the historical financial statements may not reflect what the REIT's financial position, results of operations or cash flows would have been had it owned the Acquisition Properties during the historical periods presented or what its financial position, results of operations or cash flows will be in the future. The historical financial statements do not contain any adjustments to reflect changes that may occur in the REIT's cost structure, financing and operations as a result of the acquisition of the Acquisition Properties.

In preparing the pro forma financial information included in this prospectus, the REIT has given effect to, among other items, the Offering, the Acquisition Loan, the closing of the Acquisitions and the Exchangeable Securities. The estimates used in the pro forma financial information may not be accurate estimates of the REIT's actual financial performance in the future.

There may be undisclosed liabilities associated with the Acquisition Properties

The REIT has conducted its due diligence review of each of the Acquisition Properties, however, there may be liabilities, including under applicable environmental laws, that the REIT failed to discover or was unable to quantify in the due diligence review prior to the closing of the Acquisitions and the REIT may not be indemnified for some or all of these liabilities. The subsequent discovery or quantification of any material liabilities could have a material adverse effect on the REIT's business, financial condition or future prospects, which may include diminution in the value of the affected properties or the inability to finance or dispose of the affected properties on acceptable terms.

The REIT may not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the initial appraisal of the value of the REIT's properties or the value of such properties from time to time.

Unitholders do not have legal rights normally associated with ownership of shares of a corporation

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against the REIT. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as the REIT does not carry on or intend to carry on the business of a trust company.

The issuance of additional Units will result in dilution

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time. Any REIT issuance of Units, including Units issued in consideration for properties acquired by the REIT, will have a dilutive effect on existing unitholders.

Cash distributions are not guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenants of the REIT's properties and any capital expenditure requirements. Unlike fixed-income securities, there is no obligation of the REIT to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on the Offering price. The market value of the Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "Certain Canadian Federal Income Tax Considerations".

Limitations on enforcement of certain civil judgments by Canadian investors

Inovalis and the REIT's subsidiaries are organized under the laws of France, Germany and Luxembourg. All of the assets of Inovalis and the REIT's subsidiaries are located outside of Canada and certain of their Trustees, directors and officers, as well as certain of the experts named in this prospectus, are residents of countries other than Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon Inovalis, the REIT's Subsidiaries or their respective Trustees, directors, officers and experts who are not residents of Canada or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws. There is some doubt as to the enforceability in Europe by a court in original actions, or in actions to enforce judgements of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws.

For all of the above reasons and others set forth herein, investment in Units involves a certain degree of risk. Any person considering the purchase of Offered Units should be aware of these and other factors set forth in this short form prospectus and should consult with his or her legal, tax and financial advisors prior to making an investment in the Offered Units. The Offered Units should only be purchased by persons who can afford to lose all of their investment.

Environmental contamination on properties may expose the REIT to liability and adversely affect our financial performance

The Acquisition Properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlordiphenyltrichlorethan, pentachlorphenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

The REIT bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures the REIT would have to undertake could negatively affect the REIT and could involve considerable additional costs that the REIT may have to bear. The REIT is also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and our ability to lease or sell such a property.

The REIT is subject to various federal, state and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on the REIT to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites the REIT currently own or operate, sites the REIT formerly owned or operated or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, including under the *French Environmental Code* (Code de l'environnement). The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial, and it may be impossible, for a number of reasons, for the REIT to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if our officers or employees infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The *French Environmental Code* is governed by "the polluter pays principle", according to which the costs arising from measures to prevent, reduce or combat pollution must be borne by the polluter. As a result, the REIT may be required to provide for additional reserves to sufficiently allocate toward our potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on our cash flows, financial condition and results of operations and our ability to make distributions on the Units.

At Closing, the REIT will have insurance in place to protect against certain environmental liabilities in respect of certain of the Acquisition Properties, with limits which are customary and available for portfolios similar to the Acquisition Properties. In addition, under applicable law, the tenants must conduct their business in their leased premises in accordance with applicable environmental laws and regulations and will be responsible for any liabilities arising out of infractions to such laws and regulations.

The REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the REIT does not believe that costs relating to environmental matters will have a material adverse effect on our investments, financial condition, results of operations or distributions or cash interest payments. However, environmental laws and regulations can change and the REIT may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

Limitations of appraisals and engineering and environmental reports

In general, appraisals such as the Appraisals represent only the analysis and opinion of qualified experts and are not precise measures or guarantees of present or future value. As such, the Appraisals do not provide precise measures of market value but an estimate of market value based on subjective comparisons of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations. There is no assurance that the assumptions employed in determining the appraised value of the Acquisition Properties are correct or that such valuation actually reflects an amount that would be realized upon a current or future sale of the Acquisition Properties or that any projections included in the Appraisal will be attainable. Moreover, the appraised value of the Acquisition Properties may be significantly higher than the amount that can be obtained from the sale of the Acquisition Properties under a distress or liquidation sale. As a result, the fair market value of the Acquisition Properties shown on the Appraisals may be an unreliable indication of its current market value. The environmental and property condition assessment reports represent only the analysis of the individual engineers or site inspectors preparing such reports, and may not reveal all necessary or desirable repairs, maintenance or capital improvement items. The environmental reports and property condition assessment reports were obtained at the dates noted in this prospectus and have not been subsequently updated. Generally, reports such as the Appraisals, environmental reports and property condition assessment reports are subject to material contractual limitations on the persons entitled to rely on such reports and on amounts that may be claimed thereunder in the event of any error or omission in such reports. As a result, it is unlikely that investors will have any right to recover any losses from any such error or omission against the parties who prepared the Appraisals, environmental reports and property condition assessment reports. Accordingly, caution should be exercised in the evaluation and use of the Appraisals.

PROMOTER

Inovalis has taken the initiative in founding and organizing the REIT and may therefore be considered a promoter of the REIT for the purposes of applicable securities legislation. See “Promoter” in the AIF. Inovalis currently holds (i) 180,000 Units and (ii) Exchangeable Securities that are exchangeable for 1,529,432 Units, which in the aggregate represent approximately 13.3% of the outstanding Units on a fully-exchanged basis.

EXPERTS

The matters referred to under “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations”, as well as certain other legal matters relating to the issue and sale of the Units, will be passed upon on behalf of the REIT by Goodmans LLP and on behalf of the Underwriters by Blake, Cassels & Graydon LLP. As of the date of this short form prospectus, the partners and associates of Goodmans LLP and Blake, Cassels & Graydon LLP beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT.

REAG GmbH Real Estate Advisory Group Germany is named as having prepared an appraisal described in continuous disclosure filings made by the REIT that are incorporated by reference into this short form prospectus. As at the date of such appraisals and this short form prospectus, the partners and associates of REAG GmbH Real Estate Advisory Group Germany beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

Jones Lang LaSalle SAS is named as having prepared the Appraisals and certain appraisals described in continuous disclosure filings made by the REIT that are incorporated by reference into this short form prospectus. As at the date of such appraisals and this short form prospectus, the partners and associates of Jones Lang LaSalle SAS beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

Jones Lang LaSalle GmbH is named as having prepared an appraisal relating to the Duisburg Property described in continuous disclosure filings made by the REIT that are incorporated by reference into this short form prospectus. As at the date of such appraisals and this short form prospectus, the partners and associates of Jones Lang LaSalle SAS beneficially owned, directly and indirectly, less than 1% of the outstanding securities of the REIT and its affiliates.

AGENT FOR SERVICE OF PROCESS

Each of Stéphane Amine, Jean-Daniel Cohen, Marc Manasterski, David Giraud, Khalil Hankach and Inovalis resides or is incorporated under the laws of a foreign jurisdiction outside of Canada.

Each of the individuals and company listed below has appointed the following agent for service of process:

Name of Person or Company	Name and Address of Agent
Stéphane Amine	GODA Incorporators Inc.

	333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7
Jean-Daniel Cohen	GODA Incorporators Inc. 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7
Marc Manasterski	GODA Incorporators Inc. 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7
David Giraud	GODA Incorporators Inc. 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7
Khalil Hankach	GODA Incorporators Inc. 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7
Inovalis S.A.	GODA Incorporators Inc. 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is organized under the laws of a foreign jurisdiction or who resides outside of Canada, even if the party has appointed an agent for service of process.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Units is CST Trust Company at its principal office in Toronto, Ontario.

Ernst & Young LLP are the auditors of the REIT and have advised that they are independent with respect to the REIT, within the meaning of the Code of Ethics of the Ordre des comptables professionels agréés du Québec.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser of any Offered Units should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

GLOSSARY OF TERMS

"**Acquisitions**" means the proposed acquisition of the Acquisition Properties pursuant to the Acquisition Agreements.

"**Acquisition Agreements**" means, collectively, the Baldi Acquisition Agreement and the Sablière Acquisition Agreement.

"**Acquisition Loan**" has the meaning ascribed thereto under "Acquisition Loan".

"**Acquisition Properties**" means, collectively, the Sablière Property and the Baldi Property, the leasehold interests of which will be acquired by the REIT at Closing, described under the heading "The Acquisitions".

"**AFFO**" has the meaning ascribed thereto under "Non-IFRS Measures".

"**AIF**" means the REIT's annual information form for the period ended December 31, 2013, dated March 31, 2014.

"**Annual MD&A**" has the meaning ascribed thereto under "Documents Incorporated by Reference".

"**Appraisals**" has the meaning ascribed thereto under "Assessment and Valuation of the Properties".

"**Appraiser**" means Jones Lang LaSalle SAS.

"**AREF France**" has the meaning ascribed thereto under "The Acquisitions".

"**Baldi Acquisition Agreement**" has the meaning ascribed thereto under "The Acquisitions".

"**Board**" or "**Board of Trustees**" means the board of Trustees of the REIT.

"**CanCorp Duisburg**" means CanCorp Duisburg 1 S. à r.l., a Luxembourg private limited liability company having a share capital of € 12.500, with its registered office located at 23 rue Jean Jaurès, L-1836 Luxembourg, Grand Duchy of Luxembourg, and duly registered with the Luxembourg Trade and Corporate Register under the number B 182.184.

"**CanCorp Hanover**" means CanCorp Hanover 1 S. à r.l., a Luxembourg private limited liability company having a share capital of € 12.500,- with its registered office located at 23 rue Jean Jaurès, L-1836 Luxembourg, Grand Duchy of Luxembourg, and duly registered with the Luxembourg Trade and Corporate Register under the number B 168.537.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Closing**" means the closing of the Offering.

"**Closing Date**" means on or about November 6, 2014 or such later date as the REIT and the Underwriters may agree, but not later than November 28, 2014.

"**Closing Market Price**" means the closing market price of a Unit for the purpose of redemption, as at any date will be: (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Units on the specified date; (b) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date; (c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or (d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

"**CRA**" means the Canada Revenue Agency.

"**Declaration of Trust**" means the amended and restated declaration of trust of the REIT dated April 10, 2013 governed by the laws of the province of Ontario, pursuant to which the REIT was created and is governed, as may be amended, supplemented or varied from time to time.

"**Distribution Date**" means a date on which the Trustees have determined that a distribution will be made by the REIT to the Unitholders.

"**DRIP**" has the meaning ascribed thereto under "Distribution Reinvestment Plan".

"**Dubonnet Property**" means the property located at the address municipally known as 19/21 avenue Dubonnet, 92400 Courbevoie, France.

"**Duisburg Owner**" means CanCorp Duisburg.

"**Duisburg Property**" means the property (right of perpetual usufruct and ownership) known by the name "MITSUBISHI HITACHI POWER ASSET" located in Schifferstraße 80, 47059 Duisburg, consisting of real properties registered in the Land Register of Duisburg, local court of Duisburg, folios 22061 and 23586, 18 plots, total plot size of 11,266 m².

"**Exchange Agreement**" means the amended and restated exchange agreement dated December 19, 2013 between the REIT, Luxco and Inovalis.

"**Exchangeable Securities**" means the exchangeable securities issued by Luxco, in the form of interest bearing notes, non-interest bearing notes and common shares.

"**FFO**" has the meaning ascribed thereto under "Non-IFRS Measures".

"**Finance**" means the Minister of Finance (Canada).

"**French SPV**" means SCI Baldi and SCI Sablière.

"**GLA**" means gross leasable area, but excludes gross leasable area resulting from parking space, where applicable.

"**Global Unit Certificates**" has the meaning ascribed thereto under "Description of Units – Book-Entry Only System".

"**Hanover Owner**" means CanCorp Hanover.

"**Hanover Property**" means the property lease agreement n° 3069-4719 as amended from time to time pertaining to property: office building in Hannover (Germany) having the address Hanns-Böcker –Allee 11, with the property/plot or building lease right; Land Registry designation: Local Court of Hannover; Land Registry of Built Volume: 3; Page : 4678; Cadastral district(field) : 16; plot (section) : 26/7, 26/8; Size : 4 453 m² and 5 181 m².

"**IFRIC**" means the International Financial Reporting Interpretations Committee.

"**IFRS**" means International Financial Reporting Standards.

"**Inovalis**" means Inovalis S.A. and its subsidiaries.

"**Investment Criteria**" means office properties outside of Canada with an occupancy level above 80%, secured rental cash flow, a property value between €20 million ($31 million) to €60 million ($93 million) and potential future upside with respect to matters including rent and area development.

"**IPO**" means the initial public offering of the REIT completed on the IPO Closing Date.

“**IPO Closing Date**” means April 10, 2013.

“**Jeuneurs Property**” means the property located at the address municipally known as 40, rue des Jeuneurs, 75002, Paris, France.

“**Lease Equalization Agreement**” means the agreement to be entered into on the closing of the Acquisition Properties between Inovalis and a subsidiary of the REIT, which will have the effect of equalizing the rent payments and providing the REIT with stable and predictable monthly revenue over the term of the Rue du Commerce lease in the Baldi property (on 59,925 sq.ft).

“**Leaseholds**” means the leasehold interest in the Acquisition Properties to be indirectly acquired by the REIT pursuant to the Acquisition Agreements.

“**Luxco**” means CanCorp Europe S.A., a Luxembourg public limited liability company having a share capital of € 170,000,- with its registered office located at 23 rue Jean Jaurès, L-1836 Luxembourg, Grand Duchy of Luxembourg, and duly registered with the Luxembourg Trade and Corporate Register under the number B 168.218, which is a subsidiary of the REIT.

“**Management Agreement**” means the management agreement entered into on April 10, 2013 between the REIT, affiliates of the REIT and Inovalis.

“**Market Price**” means the closing market price of a Unit for the purpose of redemption, as at a specified date will be: (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date; (b) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or (c) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

“**Marketing Materials**” has the meaning ascribed thereto under “Documents Incorporated by Reference”.

“**MIC**” means the REIT’s management information circular dated April 2, 2014 with respect to the annual meeting of unitholders held on May 7, 2014.

“**NIB Notes**” means non-interest bearing notes issued by Luxco, expiring April 10, 2028 and in respect of which no principal payment will be required until expiry of the term (although prepayments are permitted at any time without penalty).

“**Non-Resident**” means either a ‘‘non-resident’’ of Canada within the meaning of the Tax Act or a partnership that is not a ‘‘Canadian partnership’’ within the meaning of the Tax Act.

“**Offered Units**” means the Units offered for sale pursuant to the Offering, and for greater certainty include the Units offered pursuant to the Over-Allotment Option.

“**Offering**” means the public offering of Units pursuant to this short form prospectus.

“**Offering Price**” means $9.30 per Offered Unit.

“**OPCI**” means company INOPCI 1, *a société à preponderance immobilière à capital variable sous la forme de société par actions simplifiée* incorporated and existing under the laws of France, having its registered office in Paris -75008, 52 rue de Bassano, registered with the Trade and Companies Register of Paris under the number 790 202 865.

"**Other Properties**" has the meaning ascribed thereto under "The Acquisitions".

"**Over-Allotment Option**" has the meaning ascribed thereto under "Plan of Distribution".

"**PCA Reports**" has the meaning ascribed thereto under "Assessment and Valuation of the Properties – Property Condition Assessments".

"**Phase I ESA**" has the meaning ascribed thereto under "Assessment and Valuation of the Properties – Environmental Audit".

"**Phase II ESA**" has the meaning ascribed thereto under "Assessment and Valuation of the Properties – Environmental Audit".

"**Plans**" has the meaning ascribed thereto under "Eligibility for Investment".

"**Q2 MD&A**" means management's discussion and analysis of financial condition and results of operations of the REIT for the quarter ended June 30, 2014.

"**Redemption Notes**" means unsecured subordinated promissory notes of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

"**Redemption Price**" has the meaning ascribed thereto under "Description of Units – Units".

"**REIT**" means Inovalis Real Estate Investment Trust, including its subsidiaries, unless the context otherwise requires.

"**REIT Subsidiaries**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Considerations".

"**Rights Plan**" has the meaning ascribed thereto under "Unitholder Rights Plan".

"**ROFO**" has the meaning ascribed thereto under "The Acquisitions".

"**RRIF**" has the meaning ascribed thereto under "Non-IFRS Measures".

"**RRSP**" has the meaning ascribed thereto under "Non-IFRS Measures".

"**Sablière Acquisition Agreement**" has the meaning ascribed thereto under "The Acquisitions".

"**Special Voting Unit**" means a special voting unit of the REIT.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

"**TFSA**" has the meaning ascribed thereto under "Non-IFRS Measures".

"**Transfer Agent**" means CST Trust Company, at its principal office in Toronto.

"**Trustees**" means the trustees from time to time of the REIT.

"**TSX**" means the Toronto Stock Exchange.

"**Underwriters**" has the meaning ascribed thereto on the cover page.

"**Underwriting Agreement**" means the underwriting agreement between the REIT and the Underwriters, as described under "Plan of Distribution".

“**Unit**” means a unit of the REIT.

“**Unitholders**” means the holders of Units from time to time, but “unitholders”, when used in lower case type, means holders of Units and Special Voting Units.

“**Vendors**” means the entities that currently own the Acquisition Properties pursuant to the Leaseholds.

“**Vanves Property**” means the property located at the address municipally known as Le Berry-Artois, 2-4, rue Auguste Comte, 92170 VAnves and Le Bearn, 6, rue Auguste Comte, 92710, Vanves.

“**VWAP**” means the volume weighted average price and defined as the ratio of the value traded to total volume traded over a particular time horizon.

SCHEDULE A

PRO FORMA FINANCIAL STATEMENTS OF THE REIT

- **Inovalis Real Estate Investment Trust: Unaudited Pro Forma Consolidated Financial Statements For the Year Ended December 31, 2013 and the Six Months Ended June 30, 2014 Giving Effect to the Acquisition of the Sablière and Baldi Investment Properties**

INOVALIS REIT
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2013 and the six months ended June 30, 2014 giving effect to the acquisition of the Sablière and Baldi investment properties

Unaudited Pro forma Consolidated Balance Sheet as at June 30, 2014

As at June 30, 2014	(in thousands of Canadian dollars)	(in thousands of Euros)	(in thousands of Canadian dollars)		(in thousands of Canadian dollars)
	Inovalis REIT	AREF Portfolio Group	AREF Portfolio Group	*Pro forma* adjustments (Note 4)	*Consolidated* Pro forma
Assets					
Non-current assets					
Investment properties	247,320	45,146	65,981	-	313,301
Other financial assets	-	-	-	18,269	18,269
Derivative financial instruments	771	-	-	-	771
Restricted cash and other financial assets	320	37	54	-	374
Total non-current assets	248,411	45,183	66,035	18,269	332,715
Current assets					
Trade and other receivables	2,981	2,486	3,633	(3,633)	2,981
Derivative financial instruments	435	-	-	-	435
Restricted cash	283	-	-	-	283
Cash and cash equivalents	47,774	257	376	2,112	50,262
Total current assets	51,473	2,743	4,009	(1,521)	53,961
Total assets	**299,884**	**47,926**	**70,044**	**16,748**	**386,676**
Liabilities and unitholders' equity					
Liabilities					
Non-current liabilities					
Interest-bearing loan and borrowings	-	5,787	8,458	(8,458)	-
Mortgage loans	48,913	-	-	-	48,913
Finance lease liabilities	100,008	27,113	39,626	(1,124)	138,510
Lease equalization loan	2,477	-	-	-	2,477
Tenant deposits	1,017	459	671	-	1,688
Exchangeable securities	13,354	-	-	-	13,354
Derivative financial instruments	448	-	-	-	448
Deferred tax liabilities	-	2,796	4,086	(4,086)	-
Total non-current liabilities	166,217	36,155	52,841	(13,668)	205,390
Current liabilities					
Interest-bearing loan and borrowings	-	3,816	5,577	(5,577)	-
Finance lease liabilities	3,907	1,803	2,635	561	7,103
Lease equalization loan	-	-	-	-	-
Tenant deposits	263	59	86	-	349
Exchangeable securities	1,097	-	-	4,144	5,241
Derivative financial instruments	286	-	-	-	286
Trade and other payables	16,845	6,912	10,102	(10,102)	16,845
Total Current liabilities	22,398	12,590	18,400	(10,974)	29,824
Total liabilities	188,615	48,745	71,241	(24,642)	235,214
Unitholders' equity					
Unitholders' equity	98,750			34,500	133,250
Unitholders' equity - AREF		12	18	(18)	-
Retained earnings	(1,034)	(831)	(1,215)	1,215	(1,034)
Retained earnings - current period	-	-	-	5,693	5,693
Accumulated other comprehensive income	13,553	-	-	-	13,553
Total Unitholders' equity	111,269	(819)	(1,197)	41,390	151,462
Total liabilities and unitholders' equity	**299,884**	**47,926**	**70,044**	**16,748**	**386,676**

See accompanying notes to the unaudited pro forma consolidated financial statements

Unaudited Pro forma Consolidated Statement of Net Income and Comprehensive Income for the 12 months ended December 31, 2013

For the 12 month period ended December 31, 2013	**(in thousands of Canadian dollars)**	**(in thousands of Euros)**	**(in thousands of Canadian dollars)**		**(in thousands of Canadian dollars)**
	Inovalis REIT	**AREF Portfolio Group**	**AREF Portfolio Group**	***Pro forma* adjustments (Note 5)**	***Consolidated* Pro forma**
Rental income	12,523	2,651	3,533	4,084	20,140
Service charge income	2,845	1,273	1,696	900	5,441
Service charge expense	(2,925)	(1,808)	(2,409)	(932)	(6,266)
Other property operating expense	(318)	(193)	(257)	(230)	(805)
Net rental income	12,125	1,923	2,563	3,822	18,510
Administration expenses	(2,755)	(726)	(967)	(592)	(4,314)
Net change in fair value of investment properties	5,894	(4,363)	(5,814)	-	80
Gain on bargain purchase	9,716		-	7,493	17,209
Acquisition costs	(3,371)		-	(1,800)	(5,171)
Operating profit (loss)	21,609	(3,166)	(4,218)	8,923	26,314
Gain (loss) on financial instruments at fair value through profit or loss	(2,682)		-	-	(2,682)
Finance costs	(2,303)	(972)	(1,295)	437	(3,161)
Distributions recognized on Exchangeable securities	(752)		-	(547)	(1,299)
Net change in fair value of Exchangeable securities	1,522		-	-	1,522
Profit (loss) before tax	17,394	(4,138)	(5,513)	8,813	20,694
Current income tax expense	(13)	(193)	(257)	257	(13)
Profit (loss) for the period	**17,381**	**(4,331)**	**(5,770)**	**9,070**	**20,681**
Other comprehensive income					
Change in cumulative translation adjustment account	13,671	-	-	-	13,671
Total comprehensive income for the period	**31,052**	**(4,331)**	**(5,770)**	**9,070**	**34,352**
Earnings per Unit:					
Basic earnings per unit from profit for the period	1.53				1.35
Diluted earnings per unit from profit for the period	1.32				1.20

See accompanying notes to the unaudited Pro forma consolidated financial statements

Unaudited Pro forma Consolidated Statement of Net Income and Comprehensive Income for the 6 months ended June 30, 2014

For the 6 month period ended June 30, 2014	(in thousands of Canadian dollars)	(in thousands of Euros)	(in thousands of Canadian dollars)		(in thousands of Canadian dollars)
	Inovalis REIT	**AREF Portfolio Group**	**AREF Portfolio Group**	***Pro forma* adjustments (Note 5)**	***Consolidated* Pro forma**
Rental income	9,545	1,211	1,821	-	11,366
Service charge income	2,222	656	986	-	3,208
Service charge expense	(3,645)	(1,027)	(1,544)	-	(5,189)
Other property operating expense	29	(2)	(3)	-	26
Net rental income	8,151	838	1,260	-	9,411
Administration expenses	(1,866)	(371)	(558)	-	(2,424)
Foreign exchange loss	19	-			19
Net change in fair value of investment properties	(556)	4,251	6,392	-	5,836
Gain on bargain purchase	-	-	-	-	-
Acquisition costs	(413)	-	-	-	(413)
Operating profit (loss)	5,335	4,718	7,094	-	12,429
Gain (loss) on financial instruments at fair value through profit or loss	(710)	-	-	-	(710)
Loss recognized on exercise of early payment option on finance leases	(7,972)				(7,972)
Finance costs	(1,704)	(527)	(792)	990	(1,506)
Distributions recognized on Exchangeable securities	(584)	-	-	(184)	(768)
Net change in fair value of Exchangeable securities	(1,325)	-	-	-	(1,325)
Profit (loss) before tax	(6,960)	4,191	6,302	806	148
Current income tax expense	(27)	(1,099)	(1,652)	1,652	(27)
Profit (loss) for the period	**(6,987)**	**3,092**	**4,650**	**2,458**	**121**
Other comprehensive income					
Gains on hedge on the net investment in a foreign entity	989	-	-	-	989
Losses on interest rate hedges	(1,001)	-	-	-	(1,001)
Change in cumulative translation adjustment account	(106)	-	-	-	(106)
Total comprehensive income (loss) for the period	**(7,105)**	**3,092**	**4,650**	**2,458**	**3**
Earnings per Unit:					
Basic earnings per unit from profit for the period	(0.62)				0.01
Diluted earnings per unit from profit for the period	(0.62)				0.01

See accompanying notes to the unaudited Pro forma consolidated financial statements

Notes to the Unaudited *Pro forma* Consolidated Financial Statements

(Unaudited)

(All dollar amounts are in thousands of Canadian dollars, except unit or per unit amounts)

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 Pro forma consolidated financial statements include the accounts of the Trust and its subsidiaries (together the "REIT") and the entities targeted for acquisition. The REIT's current investment property portfolio is comprised of office rental properties located in France and Germany.

Note 2 – Basis of preparation

The Pro forma consolidated financial statements have been prepared by management for inclusion in a prospectus dated October 23, 2014, relating to the proposed issue and sale of units of the Trust (the "Offering") and the proposed issue of Exchangeable securities to Inovalis S.A. The proceeds of this Offering will be used to fund the acquisition of leasehold interests in two investment properties in France (hereafter, the "Acquisition"), to fund an acquisition loan (hereafter, the "Acquisition Loan") and for general purposes.

The Pro forma consolidated financial statements must be read in conjunction with the most recent audited annual consolidated financial statements and unaudited interim consolidated financial statements of the REIT, as well as the audited carve-out combined financial statements of the Sablière and Baldi Investment Properties (together referred to hereafter as the "AREF Portfolio Group"). The financial statements of these investment properties are presented on a combined basis since they have been under common control since October 1, 2011.

The Pro forma consolidated balance sheet gives effect to the Offering, the issue of Exchangeable securities, the Acquisition and the Acquisition Loan as if they had occurred on June 30, 2014. The Pro forma consolidated income statements give effect to the Offering, the issue of Exchangeable securities, the Acquisition and the Acquisition Loan as if they had occurred on January 1, 2013. Since the REIT and the acquired entities do not have the same year ends, the Pro forma consolidated financial statements have been assembled as follows:

Statement	Entity	
	REIT	AREF Portfolio Group
Balance sheet as at June 30, 2014	Unaudited balance sheet as at June 30, 2014	Unaudited carve-out balance sheet as at June 30, 2014
Statement of net income and other comprehensive income for the 12 months ended December 31, 2013	Audited Income statement for the 12 months ended December 31, 2013	Audited carve-out Income statement for the 12 months ended September 30, 2013
Statement of net income and other comprehensive income for the 6 months ended June 30, 2014	Unaudited Income statement for the 6 months ended June 30, 2014	Unaudited carve-out Income statement for the 6 months ended June 30, 2014

Since the REIT only commenced operations in April 2013, its audited consolidated income statement for the year ended December 31, 2013 does not represent 12 months of operating results. Consequently a Pro forma adjustment has been used to annualize certain repetitive revenues and expenses. More information about this adjustment can be found in note 5e.

The combined financial statements of the entities to be acquired have been prepared using the Euro. For the purposes of the Pro forma financial statements, their balance sheets were converted to Canadian dollars using the closing exchange rate as at June 30, 2014 of 1.4615. The combined income statements of these entities included in the Pro forma consolidated income statements for the year ended December 31, 2013 and for the six month period ended June 30, 2014 were converted using the average exchange rates of 1.3326 and 1.5036 respectively.

The Pro forma consolidated financial statements are not necessarily indicative of the results that would have occurred had the transactions been consummated at the dates indicated nor are they necessarily indicative of future operating results or the financial position of the REIT.

Note 3 – Significant accounting policies

The accounting policies used in the preparation of these unaudited Pro forma consolidated financial statements are consistent with those disclosed in the REIT's audited consolidated financial statements for the period from February 8, 2013 to December 31, 2013 and the unaudited interim consolidated financial statements for the six months ended June 30, 2014, respectively. Those Pro forma consolidated financial statements do not include all the information and disclosures required by Canadian generally accepted accounting principles applicable to publicly accountable enterprises for annual or interim financial statements and therefore should be read in conjunction with the December 31, 2013 and June 30, 2014 consolidated financial statements of the REIT, respectively.

New policies applied in 2014

As outlined in Note 3 Significant Accounting Policies of the condensed interim consolidated financial statements for the six month period ended June 30, 2014, IFRIC 21 Levies (IFRIC 21) was applied for the first time. IFRIC 21 clarifies that the obligating event that gives rise to a liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on specific dates within the accounting period then the entire obligation is recognized on that date. IFRIC 21 has no material effect on the REIT's annual financial statements but it affects the timing of recognition of property taxes between interim periods. Prior to the implementation of IFRIC 21, property taxes payable expense was recognized gradually over the year, resulting in the recognition of a liability or a prepaid expense at interim reporting dates. The application of IFRIC 21 required the REIT to recognize the entire obligation at the beginning of the period, which is the date specified in the relevant legislation. The relevant legislation for the REIT is the legislation pertaining to property and office tax in France and Germany. To avoid double-counting however, this expense was removed from the discounted cash flows that are used to determine the fair value of the related investment properties, resulting in a compensating variance. The table below outlines the impact on a quarter-by-quarter basis and shows that the net impact at the end of the year is nil.

	Q1	Q2	Q3	Q4	Total for year
Impact on Balance sheet					
Increase in fair value of Investment properties	1,659	1,123	553	-	
Increase in Trade and other payables	(1,659)	(1,123)	(553)	-	
Net change to retained earnings	-	-	-	-	
Impact on Quarterly Income Statement					
Decrease (Increase) in service charge expense	(1,659)	536	570	553	-
Increase (decrease) in Net change in fair value of investment properties	1,659	(536)	(570)	(553)	-
Net change to profit for the period	-	-	-	-	-

Note 4 –Pro forma assumptions and consolidated balance sheet adjustments

The following table provides the detail of the Pro forma adjustments to the balance sheet. Each of the adjustments is described in more detail in the text following the table:

Unaudited *in thousands of Canadian dollars*	Proceeds of offering in Canada	Proceeds on Exchangeable securities	Offerring and Acquisition costs	Acquisition of AREF portfolio group properties	Acquisition loan	Total Pro forma adjustments
Note	**4a**	**4b**	**4c**	**4d**	**4e**	
Assets						
Non-current assets						
Investment properties	-	-	-	-	-	-
Other financial assets					18,269	18,269
Total non-current assets	-	-	-	-	18,269	18,269
Current assets						
Trade and other receivables	-	-	-	(3,633)	-	(3,633)
Cash and cash equivalents	37,000	4,144	(4,300)	(16,463)	(18,269)	2,112
Total current assets	37,000	4,144	(4,300)	(20,096)	(18,269)	(1,521)
Total assets	**37,000**	**4,144**	**(4,300)**	**(20,096)**	**-**	**16,748**
Liabilities and unitholders' equity						
Liabilities						
Non-current liabilities						
Interest-bearing loans and borrowings	-	-	-	(8,458)	-	(8,458)
Finance lease liabilities	-	-	-	(1,124)	-	(1,124)
Deferred tax laibilities	-	-	-	(4,086)	-	(4,086)
Total non-current liabilities	-	-	-	(13,668)	-	(13,668)
Current liabilities						
Interest-bearing loans and borrowings	-	-	-	(5,577)	-	(5,577)
Finance lease liabilities	-	-	-	561	-	561
Exchangeable securities	-	4,144	-	-	-	4,144
Trade and other payables	-	-	-	(10,102)	-	(10,102)
Total Current liabilities	-	4,144	-	(15,118)	-	(10,974)
Total liabilities	-	4,144	-	(28,786)	-	(24,642)
Unitholders' equity						
Unitholders' equity	37,000	-	(2,500)		-	34,500
Unit holders' equity - AREF	-	-	-	(18)	-	(18)
Retained earnings	-	-	-	1,215	-	1,215
Retained earnings - current period	-	-	(1,800)	7,493	-	5,693
Total Unitholders' equity	37,000	-	(4,300)	8,690	-	41,390
Total liabilities and unitholders' equity	**37,000**	**4,144**	**(4,300)**	**(20,096)**	**-**	**16,748**

(a) ***Issuance of units***

It is assumed that the REIT will complete the issue of units to the public pursuant to the Offering for gross proceeds of $37,000 through the issue of 3,978,495 units at $9.30 per unit.

(b) ***Issuance of Exchangeable securities***

It is assumed that Inovalis S.A. will maintain its proportional ownership in the REIT by purchasing additional Exchangeable securities roughly equivalent to 10% of the outstanding units, taking into account both the Trust units and the Exchangeable securities .

(c) ***Issuance costs related to units and acquisition costs***

Costs relating to the issuance of units, including underwriters' fees, legal and accounting and other professional fees, are estimated to be $2,500 and are recognized in Unitholders' equity. Costs related to the acquisition, including inspection and evaluation costs, as well as legal and other professional fees, will be recognized in profit or loss. Expected acquisition costs are estimated to be $1,800.

(d) ***Investment properties acquired***

The REIT and its wholly owned subsidiaries will acquire leasehold interest in two investment properties located in France and their related tenant portfolios for a net cash consideration of approximately $16,900. For Pro forma purposes, the cash consideration transferred has been calculated as the difference between the asset price (determined on the basis of the bilateral promises of sale and letters of intent) and the carrying value of the finance lease liabilities as at June 30, 2014. The actual consideration transferred will be determined at the date of the acquisition of the leasehold interests, taking into account the balance of the finance lease liability at that date. Outlined below is a summary of the acquisition transactions:

SUMMARY OF BUSINESS ACQUISITION in thousands of Canadian dollars	**Total Assets acquired and liabilities assumed at fair value**	**Carrying amount per financial statements of AREF Group**	**Proforma adjustments to recognize acquisition of AREF portfolio group properties**	**Note**
Identifiable assets acquired				
Investment properties	65,981	65,981	-	
Restricted cash and other financial assets	54	54	-	
Trade and other receivables	-	3,633	(3,633)	
Cash and cash equivalents	813	376	437	
Total assets acquired	**66,848**	**70,044**	**(3,196)**	
Liabilities assumed				
Interest-bearing loans	-	(14,035)	14,035	B
Finance lease liabilities	(41,698)	(42,261)	563	A
Deferred taxes	-	(4,086)	4,086	C
Trade and other payables	-	(10,102)	10,102	B
Tenant deposits	(757)	(757)	-	
Total liabilities assumed	**(42,455)**	**(71,241)**	**28,786**	
Fair value of net assets acquired	24,393		25,590	
Unit holders' equity		(18)	18	
Equity of acquired entity		1,215	(1,215)	D
Consideration transferred by the REIT	(16,900)		(16,900)	E
Gain on Bargain Purchase (Goodwill)	7,493		7,493	
			-	
Net cash impact of acquisition				
Cash transferred to vendor	(16,900)			
Tenant deposit funds transferred to REIT	813			
Net cash impact of acquisition	(16,087)			

A - Fair value adjustment on leases based on current interest rates for an equivalent debt

B - Eliminated on the assumption that inter-company and other liabilities will not be assumed by the REIT

C - Eliminated on the basis that the deferred taxes will stay in the entity that previously owned the building. For the REIT, no timing difference will arise on acquisition

D - Deficit in the combined carve-out financial statements

E - Consideration paid in cash for the acquisition

Given that the purchase of the investment properties involves the acquisition of leasable space, management processes to lease that space to tenants, and leasing arrangements with tenants that generate rental income, the transaction will be treated as a business acquisition.

Concurrent with the acquisition and in accordance with the bilateral promises of sale, the REIT will assume the vendor’s liability for the tenant deposits. In return, the associated funds will be transferred to the REIT at the time of the closing of the transactions. This exchange will be treated as part of the business acquisition rather than as a separate transaction.

The fair values outlined above have been estimated on a provisional basis and may vary depending on the date at which the transaction closes. The fair values of the investment properties, which have been determined by external appraisers, are the same values that have been used to prepare the interim financial statements as at June 30, 2014. The fair values of the finance lease liabilities and tenant deposits have been determined by discounting the cash flows using a borrowing rate established in reference to rates recently obtained by the REIT for similar financing situations.

(e) ***Acquisition loan***

The REIT is also proposing to make an investment in the form of an interest-bearing loan to Inovalis S.A, for the purposes of financing the acquisition of an investment property. This loan, which will have a maturity of 3 years, will bear interest at a base rate equal to projected yield for the REIT's new issued equity (estimated for the purposes of these Pro forma financial statements at 8.87%) and will entitle the REIT to certain potential future benefits. When the property has an occupancy rate in excess of 80% and when it becomes profitable enough to be AFFO accretive for the REIT, the property will be made available for sale. At that time, the REIT will have a right of first offer on the property. Regardless of whether or not the REIT or another party purchases the property, the REIT will be entitled to receive 50% of any net gain on disposition of the investment property, after taking into account acquisition, refurbishing, tenant improvement and finance costs. This loan will be accounted for as a transaction separate from the business acquisition on the basis that it is related to a property other than those that were acquired in the business combination, it is with a separate counterparty and it is recognized at fair value. It will be designated as a financial instrument at fair value through profit or loss. For the purposes of the Pro forma, it is assumed that the transaction price upon initial recognition is equal to the fair value of the combined instrument, taking into account the base and contingent components of revenue. With respect to subsequent measurement and revenue recognition, only the base interest portion of the remuneration from this loan has been forecast in the present consolidated Pro forma consolidated statements of net income and other comprehensive income. No increases or decreases in the fair value of this financial instrument have been projected. This revenue has been presented net of financing costs. The calculation of this base amount of interest is enclosed below:

(in thousands of Canadian dollars)	**For the 12 month period ended December 31, 2013**	**For the 6 month period ended June 30, 2014**
Amount of loan to Inovalis S.A. to finance the acquisition of an investment property (12,500,000 Euros)	18,269	18,269
Rate of return paid on loan in the form of interest	8.87%	8.87%
Period of time (in months)	12	6
Amount of projected interest revenues for the period	1,620	810

Note 5 – Pro forma consolidated income statement adjustments

The following table provides the detail of the Pro forma adjustments to the income statement for the twelve-month period ended December 31, 2013. Each of the adjustments is described in more detail in the text following the tables.

For the 12 month period ended December 31, 2013 - (Unaudited in thousands of Canadian dollars)	**Increase in Distributions recognized on Exchangeable securities**	**Acquisition costs recognized in profit or loss**	**Gain on bargain purchase**	**Elimination of attributed interest charge**	**Normalization of AREF income statement**	**Annualization of the REIT's legacy 2013 reporting period**	**Acquisition loan**	**Total pro forma adjustment to income statement**
Note	**5a**	**5b**	**5c**	**5d**	**5d**	**5e**	**4e**	
Rental income	-	-	-	-	-	4,084	-	4,084
Service charge income	-	-	-	-	-	900	-	900
Service charge expense	-	-	-	-	-	(932)	-	(932)
Other property operating expense	-	-	-	-	-	(230)	-	(230)
Net rental income	-	-	-	-	-	3,822	-	3,822
Administration expenses	-	-	-	-	-	(592)	-	(592)
Gain on bargain purchase	-	-	7,493	-	-	-	-	7,493
Acquisition costs	-	(1,800)	-	-	-	-	-	(1,800)
Operating profit	-	(1,800)	7,493	-	-	3,230	-	8,923
Finance costs	-	-	-	751	(513)	(1,421)	1,620	437
Distributions recognized on Exchangeable securities	(368)	-	-	-	-	(179)		(547)
Profit before tax	(368)	(1,800)	7,493	751	(513)	1,630	1,620	8,813
Current income tax expense	-	-	-	-	257	-		257
Profit for the period	**(368)**	**(1,800)**	**7,493**	**751**	**(256)**	**1,630**	**1,620**	**9,070**

The following table provides the detail of the Pro forma adjustments to the income statement for the six-month period ended June 30, 2014. Each of the adjustments is described in more detail in the text following the table.

For the 6 month period ended June 30, 2014 - (Unaudited in thousands of Canadian dollars)	**Increase in Distributions recognized on Exchangeable securities**	**Elimination of attributed interest charge**	**Normalization of AREF income statement**	**Acquisition loan**	**Total pro forma adjustment to income statement**
Note	**5a**	**5c**	**5d**	**4e**	
Service charge expense	-		-		-
Net rental income	-	-	-	-	-
Net change in fair value of investment properties	-		-		-
Operating profit	-	-	-	-	-
Finance costs	-	445	(265)	810	990
Distributions recognized on Exchangeable securities	(184)				(184)
Profit (loss) before tax	(184)	445	(265)	810	806
Current income tax recovery	-		1,652	-	1,652
Profit (loss) for the period	**(184)**	**445**	**1,387**	**810**	**2,458**

(a) ***Increase in distributions recognized on Exchangeable securities***

Since it is assumed that Inovalis S.A. will maintain its proportional ownership in the REIT by purchasing additional Exchangeable securities, and since those securities are classified as liabilities on the balance sheet, the distributions on those Exchangeable securities need to be recognized as an expense. The expense was estimated using an annual distribution rate of $0.825 per unit which is identical to the target annual distribution to regular Unit holders.

(b) ***Acquisition costs***

It is assumed that the costs associated with the acquisition and transfer of legal rights to the leasehold interests will amount to approximately $1,800. These costs will be recognized in profit or loss when they are incurred.

(c) ***Gain on bargain purchase price***

Under International Financial Reporting Standards, the assets acquired and the liabilities assumed in the course of a business acquisition are to be measured at fair value, which is not necessarily equal to the consideration transferred to gain control of the investment properties. If the consideration transferred exceeds the fair value of the net assets, the excess amount is recognized as goodwill. If the fair value of the net assets exceeds the consideration transferred, the excess is recognized as a gain on bargain purchase in profit or loss in the year of acquisition. The gain on bargain purchase price has arisen principally due to the favourable conditions specific to the transaction.

(d) ***Normalization of AREF income statement***

Prior to the acquisition, the operations of the AREF portfolio group properties were not financed individually but rather as part of a group formed by the former owner of those properties. When the combined financial statements were prepared in connection with the present offering of shares and proposed acquisition, an interest charge was attributed to the carved-out activities in respect of this financing. Since, this financing will be provided by the REIT after the acquisition, the imputed interest expense and any interest income from surplus funds has been removed from the enclosed Pro forma income statements. The impact of this change is outlined below:

(in thousands of Canadian dollars)	**For the 12 month period ended December 31, 2013**	**For the 6 month period ended June 30, 2014**
Elimination of interest income from AREF parent	(29)	(20)
Elimination of interest expense on loans from AREF parent	780	465
	751	445

At the time of the acquisition, the REIT assumed the finance lease that was currently in place, together with all its existing terms and conditions. Since this lease was negotiated at a rate that is lower that the REIT could negotiate in the current market, it will be valued in the REIT at a fair value that is lower than its carrying amount in the AREF Portfolio Group carve out financial statements and the difference will be amortized using the effective interest method over the remaining duration. This amortisation is added as an additional expense to the Pro forma consolidated income statement as a period cost.

Prior to the acquisition, the AREF portfolio group properties were held in a taxable entity. Consequently, the carve-out financial statements prepared in connection with the present offering of shares and proposed acquisition include income tax expenses and deferred tax liabilities. Subsequent to the proposed acquisition, they will be held using a structure of newly created real estate holding entities (Sociétés civiles immobilières or SCI's), which in France are free of income taxes if certain conditions are respected. This is the same type of structure that is used for the other French properties held by the REIT. Consequently, the income taxes expenses have been removed from the enclosed Pro forma income statements.

Outlined below is a summary of the above mentioned adjustments:

(in thousands of Canadian dollars)	**For the 12 month period ended December 31, 2013**	**For the 6 month period ended June 30, 2014**
Amortisation of discount on acquisition of finance leases	(513)	(265)
	(513)	(265)
Elimination of income tax charges using SCI structure	257	1,652
	(256)	1,387

(e) ***Annualisation of the REIT's 2013 reporting period***

The REIT commenced operations when, in April 2013, it acquired four investment properties in France and Germany. For the purposes of the present income statement, regulation stipulates that the results for a period of twelve months are to be presented. Consequently, an adjustment has been made to annualise the financial statements of the REIT. This has been done by adjusting the consolidated Pro forma financial statements by adding the results from the consolidated Pro forma income statement for the three month period ended on March 31, 2013. This Pro forma was published in the Business Acquisition Report dated June 25, 2013 which is available on SEDAR.com. It includes the Pro forma results of the REIT and the investment properties that it acquired in April 2013. The table presented below outlines the adjustment:

(in thousands of Canadian dollars)	**Amounts from Pro forma consolidated financial statements published in the BAR dated June 25th, 2013 for the three month period ended March 31, 2013, giving effect to the initial acquisition of 4 investment properties**
Rental income	4,084
Service charge income	900
Service charge expense	(932)
Other property operating expense	(230)
Net rental income	3,822
Administration expenses	(592)
Net change in fair value of investment properties	-
Gain on bargain purchase	-
Acquisition costs	-
Operating profit	3,230
Loss on financial instruments at fair value through profit or loss	
Finance costs	(1,421)
Distributions recognized on Exchangeable securities	(179)
Net change in fair value of Exchangeable securities	
Profit before tax	1,630
Current income tax expense	
Profit for the period	**1,630**

Note 6 – 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.

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. Diluted earnings per unit are only reported separately from basic earnings per unit if they have a dilutive effect.

The following table outlines the estimated impact of the present offering and acquisition on the REIT basic and diluted earnings per unit:

	12 month period ended December 31, 2013			6 month period ended June 30, 2014		
	As previously reported	Additional units being issued as part of the present offerring	Amounts used in Pro forma consolidated income statement	As previously reported	Additional units being issued as part of the present offerring	Amounts used in Pro forma consolidated income statement
Basic earnings per unit						
Weighted average number of units outstanding	11,334,375	3,978,495	15,312,870	11,288,451	3,978,495	15,266,946
Net profit attributable to unit holders	17,381		20,681	(6,987)		121
Basic earnings per unit	1.53		1.35	(0.62)		0.01
Diluted earnings per unit						
Weighted average number of units outstanding	11,334,375	3,978,495	15,312,870	11,288,451	3,978,495	15,266,946
Weighted average number of Exchangeable securities	1,245,250	445,591	1,690,841	1,412,992	445,591	1,858,583
Weighted average number of units outstanding during the period used for diluted earnings per unit	12,579,625	4,424,086	17,003,711	12,701,443	4,424,086	17,125,529
Net profit attributable to unit holders	17,381		20,681	(6,987)		121
Distributions recognized on Exchangeable securities	752		1,299	584		768
Net change in fair value of Exchangeable securities	(1,522)		(1,522)	1,325		1,325
Net profit attributable to diluted unitholders	16,611		20,458	(5,078)		2,214
Diluted earnings per unit	1.32		1.20	(0.62)		0.01

[1] Diluted earnings per unit is identical to basic earnings per unit wihen the dilution does not result in a reduction of earnings per unit or an increase in loss per unit

Note 7 – Subsequent event

New acquisition

On July 11, 2014 the REIT ceded a 50% interest in its Duisburg subsidiary, thus forming a joint venture. This joint venture then proceded immediately therafter with the purchase of an office property located in Duisburg, Germany. The Property, which is an eight-storey office building developed in 2008, is fully leased until December 31, 2020. The joint venture purchased the investment property for approximately $65.7 million, and financed the purchase using a first mortgage of $35.8 million and equity investments of $29.9 million. The REIT's 50% share of the equity investment, which is $14.95 million, came from existing cash on hand and increased financing on the REIT's existing French properties. This investment will be accounted for using the equity method of accounting.

SCHEDULE B

COMBINED FINANCIAL STATEMENTS OF AREF PORTFOLIO GROUP

- **Aref Portfolio Group: Combined Financial Statements for the Year Ended September 30, 2013**
- **Aref Portfolio Group: Interim Condensed Combined Financial Statements for the Nine-Month Period Ended June 30, 2014**

Aref Portfolio Group

Year ended September 30, 2013

Aref Real Estate France statutory auditor's report on the combined financial statements

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Aref Portfolio Group

Year ended September 30, 2013

Aref Real Estate France statutory auditor's report on the combined financial statements

To the Legal Representative of Aref Real Estate France (the "President"),

At your request and in our capacity as statutory auditor of Aref Real Estate France, we have audited the accompanying combined financial statements of Aref Portfolio Group, i.e. Aref Sablière and carve-out of Aref Second Property, which comprise the combined balance sheet as at September 30, 2013, the combined income statement, the combined statement of comprehensive income, the combined statement of changes in invested equity and the combined statement of cash flows for the year ended September 30, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Aref Portfolio Group as at September 30, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by IASB.

Paris-La Défense, October 30, 2014

The statutory auditor
ERNST & YOUNG et Autres

Nathalie Cordebar

Aref Portfolio Group

Combined Financial Statements for the year ended September 30, 2013

Combined Income Statement for the year ended September 30, 2013

(in thousands of Euros)

Combined income statement	Note	For the years ended September 30, 2013	2012
Rental income	*4*	2 651	2 649
Service charge income	*4*	1 273	847
Service charge expense	*5*	(1 808)	(1 686)
Other property operating expense (income)	*5*	(194)	(43)
Net rental income		1 923	1 767
Administration expenses	*6*	(726)	(754)
Valuation gains (losses) from investment properties	*10*	(4 363)	(2 345)
Operating profit (loss)		(3 166)	(1 331)
Finance income	*7*	22	12
Finance expense	*7*	(995)	(1 329)
Profit (loss) before taxes		(4 138)	(2 648)
Income tax expense	*9*	(193)	461
Profit (loss) for the period		**(4 331)**	**(2 187)**

Combined Statement of Comprehensive Income for the year ended September 30, 2013

(in thousands of Euros)

Statement of comprehensive income	For the years ended September 30, 2013	2012
Profit (loss) for the period	**(4 331)**	**(2 187)**
Other comprehensive income		
Total comprehensive income (loss)	(4 331)	(2 187)

Combined Balance Sheet as at September 30, 2013

(in thousands of Euros)		As at September 30,		As at October 1, 2011
Assets	*Note*	**2013**	**2012**	
Non-current assets				
Investment properties	*10*	38 600	42 388	44 260
Restricted cash and other financial assets	*11*	37	-	-
Total non-current assets		38 636	42 388	44 260
Current assets				
Trade and other receivables	*12*	2 306	1 390	1 529
Cash and cash equivalents	*13*	1 252	2 820	1 927
Total current assets		3 558	4 210	3 455
Total assets		**42 194**	**46 598**	**47 716**

(in thousands of Euros)		As at September 30,		As at October 1, 2011
Equity and Liabilities	*Note*	**2013**	**2012**	
Liabilities				
Non-current liabilities				
Interest-bearing loan and borrowings	*14*	5 850	5 930	5 122
Finance lease liabilities	*14, 16*	28 480	30 167	31 706
Tenant deposits	*17*	458	374	392
Deferred tax liabilities		1 295	1 102	1 563
Total non-current liabilities		36 084	37 573	38 783
Current liabilities				
Interest-bearing loan and borrowings	*14*	3 398	2 841	2 212
Finance lease liabilities	*14, 16*	1 687	1 539	1 400
Tenant deposits	*17*	58	23	344
Trade and other payables	*15*	6 336	5 659	3 827
Total Current liabilities		11 479	10 063	7 784
Total liabilities		47 563	47 635	46 566
Invested Equity				
Invested Equity		(5 369)	(1 037)	1 149
Total invested equity		(5 369)	(1 037)	1 149
Total equity and liabilities		**42 194**	**46 598**	**47 716**

Combined Statement of Changes in Invested Equity

(in thousands of Euros)

Statement of changes in invested equity	Total Invested Equity
At September 30, 2011	**1 149**
Profit / (loss) for the year..	(2 187)
At September 30, 2012	**(1 037)**
Profit / (loss) for the year..	(4 331)
At September 30, 2013	**(5 368)**

Combined Statement of Cash Flows for the year ended September 30, 2013

(in thousands of Euros)		For the years ended September 30,	
Statement of cash flows	***Note***	**2013**	**2012**
Cash flow from operating activities			
Profit (loss) before taxes		(4 138)	(2 648)
			-
Adjustments to reconcile profit (loss) before taxes to net cash flows			-
Rent free period	*10*	(155)	(195)
Capitalised letting fees	*10*	38	(77)
Valuation (gains) / losses from investment properties	*10*	4 363	2 345
Loss (gain) on financial instruments at FVTP&L	*7*	(10)	(0)
Finance lease - interest expense	*7*	408	725
Interest expense on interest bearing notes - intercompany	*7*	-	-
Interest expense on interest bearing notes - related parties		553	553
		1 059	702
Working capital adjustments			
(increase) / decrease in trade and other receivables		(916)	138
(increase) / decrease in trade and other receivables - intercompany		-	-
increase / (decrease) in tenants deposits		129	(338)
increase / (decrease) in trade and other payables		677	1 832
Net Cash generated from operating activities		949	2 335
Cash flow from investing activities			
Subsequent expenditure on investment property	*10*	(458)	(200)
Increase of other financial assets		(37)	(0)
Net Cash used in investing activities		(494)	(200)
Cash flow from financing activities			
Proceeds from borrowings		-	1 096
Repayment of borrowings		(75)	(213)
Repayment of finance lease liabilities		(1 539)	(1 400)
Interest paid		(408)	(725)
Net Cash used in financing activities		(2 023)	(1 242)
Net (decrease) increase in cash and cash equivalents		**(1 568)**	**893**
Cash & cash equivalents at the beginning of the period	*13*	**2 820**	**1 927**
Cash and cash equivalents at the end of the period	*13*	**1 252**	**2 819**

Notes to the Combined Financial Statements

Note 1 - Basis of preparation

Background and Perimeter of combination

The combined financial statements of Aref Portfolio Group (referred to as the “Group” afterwards) designate the combination of Aref Sablière S.a.r.l and a carve-out of Aref Second Property S.a.r.l two private limited companies both created on May 17, 2005 under French law (registration numbers respectively: 482 351 210 RCS Paris and 482 345 345 RCS Paris). Their registered offices are located at 52, rue de Bassano 75008 Paris, France.

These combined financial statements of Aref Portfolio Group have been prepared:

- by extracting from Aref Second Property historical financial statements all assets, liabilities, revenues and expenses that pertain to its business related to the property located in Saint-Ouen (referred to as the “Baldi property”) and held under finance leases.
- and with historical financial statements for Aref Sablière.

These combined financial statements have been prepared solely in connection with the business acquisition report of Inovalis Real Estate Investment Trust (the “REIT”) (referred to as the “BAR”) for the purpose of the acquisition of a portfolio of commercial real estate assets composed of two buildings located in France.

Aref Sablière and Aref Second Property are subsidiaries of Aref Real Estate France which is an associate of Inovalis S.A (referred to as the “Management company” or “Inovalis”), a private company specializing in investment fund management in real estate, created on November 16, 1998 under French law (registration number: 420 780 835 RCS Paris) and registered by the Autorité des Marchés Financiers in France (the “AMF”) since March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

The combined financial statements of Aref Portfolio Group were authorized for issue by the legal representative of Aref Real Estate France (the "Président") October 30, 2014.

Nature of Business

The objective of the Group is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

- Aref Sablière holds rights through a finance lease contract on a French commercial property located at 27 and 29 rue de la Sabliere, 25 rue Hippolyte Maindron, 24 and 26 rue Benard, Paris (75014), France, referred to as the “Sabliere property” onwards. The sale to a subsidiary of the REIT of the finance lease contract, under which this property is held including the transfer of the lease contracts with the tenants of such property, was duly authorized by a resolution of the sole shareholder on October 3, 2014.

- Aref Second Property holds rights through a finance lease contract on a French commercial property located at 44/50 avenue du Capitaine Glarner Saint-Ouen (93400), France, referred to as the "Baldi property" onwards. The company holds another real estate finance leases not included in the Aref Portfolio. The carve out from its financial statements was carried out for the purposes of the Aref Portfolio to present the assets, liabilities, revenues and expenses that relate to the Baldi property located 44/50 avenue du Capitaine Glarner Saint-Ouen, France, that is to be transferred to a subsidiary of the REIT through the sale of the finance lease contract under which the Baldi property held and the transfer of the lease contracts with the tenants of such property. The sale of the Baldi property finance lease contract held by Aref Second Property and of the related lease contracts with tenants was duly authorized by a resolution of the shareholder on October 3, 2014.

Methods used for the preparation of the combined financial statements

The accompanying combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") as of September 30, 2013 to present the historical operations and financial position of Sablière and Baldi properties as of and for the years ended September 30, 2013 and 2012, on the basis that these two businesses are ultimately under the control of the same shareholder.

The accompanying combined financial statements as of and for the years ended September 30, 2013 and 2012, have been derived from the individual financial statements of Aref Sablière and carved out financial statements of Aref Second Property historically prepared by the General Managers under French GAAP to comply with IFRS.

No combined financial statements of Aref Portfolio have been previously prepared or issued as of and for the years ended September 30, 2013 and 2012 or for any other period.

The Group is not a legal group or separately established investment entity and did not previously operate as a separate, stand-alone Group. The combined financial statements included herein may not necessary be indicative of the Group's financial position, results of operations, changes in invested equity or cash flows had the Group operated as a stand-alone entity during the periods presented or for future periods.

There are no intra-group transactions (i.e transactions between Aref Sablière and Aref Second Property).

All significant balances and transactions with related parties are disclosed as balances and transactions with related parties as if the Group had been a stand-alone company during the period presented (see Note 18 – Transactions with related parties).

The financial statements of entities in the perimeter of combination are prepared as of the same closing date, using consistent accounting policies.

Changes in total invested equity represent Group's net investment in the Aref Portfolio after giving effect to the net earnings (losses) of Aref Portfolio Group.

Methods used for the preparation of the carve-out financial statements of Aref Second Property included in the combined financial statements of Aref Portfolio Group

The carve out financial statements of the Baldi property have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") as of September 30, 2013.

IFRS do not include guidance on preparing carve-out financial statements and the principles and conventions described below explain how IFRS have been applied to prepare the carve-out financial statements.

The carve out principles have been consistently applied to all the years presented. The carve-out financial statements of the Baldi property have been prepared for the years ended September 30, 2013 and 2012, based on the extraction of all financial information related to the Baldi property from Aref Second Property's historical financial statements. All assets, liabilities, revenues and expenses directly related or attributable to the property located in Saint-Ouen (including cost of investment properties, rental income and related receivables, service charge income and expenses and related receivables and payables, finance lease interests and borrowings) have been extracted from Aref Second Property records to prepare the carve-out financial statements. Administrative expenses other than service charge income and expense and other property operating expense have been allocated based on the number of properties (1 out of 2).

Subordinated loans and related interests have been allocated based on the Baldi property's part in total financing of the properties at the inception of the leases.

Initial equity contribution consists of the contribution made by the shareholders for the initial acquisition (2005) and financing of the Aref Portfolio. Opening invested equity as of October 1, 2011 has been carved out and allocated as follows:

- Net rental income and administration expenses accumulated over the period 2005 (inception)–September 30, 2011 have been allocated property by property when they were directly related or attributable, and when it was not possible based on the initial purchase price of the Baldi property in Aref Second Property,
- Finance costs accumulated over the period 2005 (inception)–September 30, 2011 have been allocated directly for the finance lease borrowing, and based on the initial purchase price for the other finance interest.

Cash and cash equivalents include bank accounts relating to the Baldi property as of October 1, 2011 and a balancing share of theBaldi property in general bank accounts of Aref Second Property.

Tax assets and liabilities have been recorded and measured as if the Baldi Property had existed as a separate / standalone tax entity from October 1, 2011. Existing tax loss carry forward as of October 1, 2011 have been allocated in proportion to the share of the Baldi property in accumulated losses.

The Baldi property is not a legal entity and did not previously operate as a separate, stand-alone entity. The carve-out financial statements included herein may not necessary be indicative of the Baldi property's financial position, results of operations, changes in invested equity or cash flows had the Baldi property operated as a stand-alone entity during the periods presented or for future periods.

Accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the new Standards, amendments and Interpretations applicable from October 1, 2012 mentioned below. The following new Standards, amendments and Interpretations have no material impact on the Group's combined financial statements at September 30, 2013:

- IAS 1 " Presentation of financial statements" as regards Presentation of Items of Other Comprehensive Income;
- IAS 12 "Income taxes" as regards Deferred Tax and Recovery of Underlying Assets.

The Group has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning on October 1, 2012:

- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 16 and IAS 41 – Agriculture, Bearer Plants;
- IAS 19 – Employee Benefits, Defined Benefit Plans: Employee Contributions;
- IAS 27 – Separate Financial Statements;
- IAS 28 – Investments in Associates and Joint Ventures;
- IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- IFRS 1 – Government Loans;
- IFRS 7 – Disclosures, Offsetting Financial Assets and Financial Liabilities;
- IFRS 9 – Financial Instruments, Hedge Accounting and amendements to IFRS 9, IFRS 7 and IAS 39;
- IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 15 – Revenue from Contracts with Customers;
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine;
- IFRIC 21 – Levies.

The Group intends to adopt these standards when they become effective. The Group has not yet assessed the potential impacts of those new Standards, Amendments and Interpretations on its combined financial statements in the period of initial application.

Note 2 - Significant accounting judgments, estimates and assumptions

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

Management believes that the judgments, estimates and assumptions underlying these combined financial statements are reasonable.

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

Critical judgments in applying the Group's accounting policies

Finance lease – Group as lessee

Finance leases, which transfer to the Group 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 charged to the income statement as they arise.

Finance lease assets and liabilities are set out in Note 10 – Investment properties and Note 16 – Finance lease liabilities.

Critical accounting estimates

Valuation of property

The fair value of investment properties is determined by independent real estate valuation experts using recognized valuation techniques. These techniques comprise both the Yield Method and 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 Group assets.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. Future revenue streams, inter alia, comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In estimating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. The valuators used their market knowledge and professional judgment and did not rely solely on transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used by the valuators in estimating the fair value of investment property are set out in Note 10 – Investment properties.

Techniques used for valuing investment properties

The Yield Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value the property on this basis is to capitalize net rental income on the basis of an Initial Yield, generally referred to as the "All Risks Yield" approach or "Net Initial Yield" approach, adjusting for any factors not included in net rental income, such as vacancy, lease incentives, refurbishment, etc.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

Fair value of financial assets and liabilities

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and assumptions used by the Group to estimate the fair values of its financial instrument are disclosed in Note 17 – Financial risk management objectives and policies.

Taxes

The Group is subject to income and capital gains taxes in France. Significant judgment is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. In particular, when calculating deferred taxation, the effective tax rate applicable on the temporary differences in investment property depends on the method by which the carrying amount of investment property will be realized.

The Group recognizes liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are recorded in accordance with *IAS 8 – Accounting policies, changes in accounting estimates and errors*.

The significant methods and assumptions used in estimating taxes are set out in Note 9 – Taxation.

Note 3 - Significant accounting policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Combined financial statements have been prepared on a historical cost basis, except for investment properties and investment securities that have been measured and accounted for at fair value.

The combined financial statements are presented in Euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

Principles of combination

See Note 1- Basis of preparation.

Foreign currency translation

The combined financial statements are presented in Euros, which is also the functional currency (i.e. the currency of the primary environment in which the Group operates), of the two entities included in the combination.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency rate of exchange ruling on the reporting date. All differences are taken to profit or loss.

Investment properties

Investment properties comprises completed property or re-development held to earn rental income or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. The lease obligation is recognized under IAS 17 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 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 stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise. For the purpose of these financial statements, in order to avoid “double counting”, the assessed fair value is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentive and letting fees.

Fair value represents the price that a vendor would receive for the sale of the property and therefore also integrates a deduction for real estate transfer tax that a buyer would incur in acquiring the property and deduct from the net consideration paid to the vendor. Investment properties are stated at fair value based on valuations actually performed at historical dates.

Financial assets and liabilities

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, and, in the case of investments not measured at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans, receivables and financial assets at fair value through profit and losses.

Financial assets recognized in the combined balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Cash and cash equivalents includes cash at bank, bank overdrafts and liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the combined income statement within "Finance income and costs" in the period in which they arise.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). Derivative financial assets and liabilities comprise mainly interest rate collar and cap contracts for hedging purposes (hedge). The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognized in the combined income statement in "Finance income and costs".

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the carve-out and combined balance sheet.

Financial liabilities included in trade and other payables are recognized initially at fair value and subsequently at amortized cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “Net change in fair value of financial instruments at fair value through profit or loss” in the period in which they arise.

Derivatives and hedging

The Group entered into variable interest rate finance lease agreements with embedded interest rate caps and floors. An embedded derivative is separated from a host contract unless the embedded derivative is closely related to the host contract. An interest rate cap embedded in a variable rate loan is closely related when the cap is at or above the market rate of interest at the time of initial recognition of the loan. An interest rate floor is closely related when the floor is at or below the market rate of interest at the time of initial recognition of the loan. The market rate of interest used for purposes of determining whether an interest rate cap or floor is closely related is the appropriate forward variable interest rate at the time of entering into the loan agreement.

The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the hedging contracts are entered into. They are measured initially and subsequently at fair value through profit or loss; transaction costs are included directly in finance costs.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Rent and other receivables

Rent and other receivables are recognized at the lower of their original invoiced value. Where the time value of money is material, receivables are carried at amortized cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Provisions are presented in the income statement within “Other property operating expenses”.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and statement of cash flows comprise cash at bank, bank overdrafts plus liquid short-term investments that are readily convertible into cash, and subject to an insignificant risk of changes in value in the event of movements in interest rates.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortized cost using the effective interest method.

Trade and other payables

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

Tenant deposits

The Group obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 2 to 3 months. Such deposits are treated as financial assets in accordance with IAS 39, and they are initially recognized at fair value and subsequently measured at amortized cost.

Operating lease contracts - Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group 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 property and so accounts for the leases as operating leases.

Revenue recognition

Rental income

Rental income receivable from operating leases, less the Group’s initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. 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 Group is reasonably certain that the tenant will exercise that option.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognized in the period in which the expense is incurred. Service charges are included in the net rental income.

Interest income and expenses

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

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and it establishes provisions where appropriate.

Deferred income tax

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 Group's investment property 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 Group's current plans and recent experience with similar properties. The capital gains tax rate applied is that which would apply on a direct sale of the property recorded in the balance sheet.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when 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.

Note 4 - Revenue

(in thousands of Euros)	For the years ended September 30,	
Revenue	**2013**	**2012**
Rental income	2 651	2 649
Service charge income	1 273	847
Total revenue	**3 924**	**3 496**

The Group has entered into operating leases on its property portfolio. The commercial property leases typically have lease terms between three and nine years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain break options before the end of the lease term.

Future minimum leases receivable in cash under non-cancellable operating leases as at September 30 are as follows:

(in thousands of Euros)	For the years ended September 30,	
	2013	**2012**
Within 1 year	2 220	2 501
After 1 year, but not more than 5 years	4 914	6 310
More than 5 years	206	1 031
Future minimum leases receivables in cash	**7 340**	**9 842**

The Group has granted incentives such as rent-free periods to new tenants. The number of months of rent-free periods granted goes from 6 months to one year. The total unamortized portion of rent-free periods is detailed as follows:

(in thousands of Euros)	For the years ended September 30,	
Rent-free period (lease incentives not fully amortized)	**2013**	**2012**
Gross amount of lease incentives not fully amortized - beginning of the period	336	170
Additional incentives granted during the period	3 105	257
Recognised in profit or loss	(402)	(91)
Net amount of lease incentives not fully amortized	**3 039**	**336**

Note 5 - Service charge and other property operating expense

(in thousands of Euros)	For the years ended September 30,	
Service charge and other property operating expenses	**2013**	**2012**
Operating expenses	(1 657)	(1 515)
Maintenance and repairs	-	(8)
Property management expenses - related parties	(151)	(163)
Service charge expense	(1 808)	(1 686)
Other	(194)	(43)
Other property operating expense	(194)	(43)
Total property expenses	**(2 001)**	**(1 729)**

Operating expenses are composed mainly of insurance premiums, property management fees and other fees.

Note 6 - Administration expense

(in thousands of Euros)	For the years ended September 30,	
Administration expense	**2013**	**2012**
Asset management fees	(654)	(686)
Other fees	(2)	-
Other general and administrative expenses	(70)	(68)
Total administration expense	**(726)**	**(754)**

Note 7 - Finance income and costs

(in thousands of Euros)	For the years ended September 30,	
Finance income	**2013**	**2012**
Finance income	22	12
Other	-	-
Total finance income	**22**	**12**

(in thousands of Euros)	For the years ended September 30,	
Finance costs	**2013**	**2012**
Interest on bank loans	(12)	(10)
Interest on interest bearing notes - related parties	(584)	(582)
Finance lease - interest expense	(408)	(725)
Finance cost - interest	**(1 004)**	**(1 317)**
Net change in fair value of financial instruments at fair value through profit or loss	10	-
Other financial costs	-	(12)
Total finance costs	**(995)**	**(1 329)**

Note 8 - Segment information

All of the properties included in these combined financial statements are located in France and are composed of office assets. As a consequence of the generic nature of the properties and the single location, the Management believes that it is appropriate to classify all operations of the Aref Portfolio under one operating segment.

Revenue derived from tenants that represent more than 10% of the Group's revenues amounts to €2,494 thousand for the year ended September 30, 2013 and € 2,003 thousand for the year ended September 30, 2012.

Note 9 - Taxation

The major components of income tax expense for the years ended September 30, 2013 and 2012 are:

(in thousands of Euros)	As at September 30,	
Income tax	**2013**	**2012**
Current tax		
Deferred tax	(193)	461
Income tax (expense) income reported in the income statement	**(193)**	**461**

	As at September 30,	
	2013	**2012**
Profit before tax	**(4 138)**	**(2 648)**
Tax rate applicable to group profits	33,33%	33,33%
Tax calculated at tax rate applicable to group profits	1 379	882
Non deductible expenses	(127)	(170)
Tax losses for which no deferred income tax asset was recognised	(1 445)	(252)
Total tax (expense) income reported in the income statement	**(193)**	**461**

(in thousands of Euros)	Combined balance sheets		Combined income statement	
	As at September 30,		As at September 30,	
	2013	2012	2013	2012
Deferred tax liabilities				
Revaluations of investment properties to fair value	(2 631)	(1 319)	(1 312)	(776)
Restatement of lease	4 308	3 591	717	671
Rent free period...	51	70	(19)	70
Paid and amortisation of capitalised letting fees.............	36	48	(12)	26
Revaluations of financial instrument to fair value	18	15	3	-
Other deferred tax liabilities				
	1 782	**2 405**	**(623)**	**(9)**
Deferred tax assets				
Restatement of lease				
Valuation at fair value of the VAT liability				
Losses available for offset against future taxable income .	487	1 303	(816)	452
Other deferred tax assets				
	487	**1 303**	**(816)**	**452**
Deferred income tax expense				
Deferred tax assets / (liabilities) net	**(1 295)**	**(1 102)**	**(193)**	**461**
Reflected in the balance sheet as follows :				
- Deferred tax assets	-	-	-	
- Deferred tax liabilities	(1 295)	(1 102)	(193)	461
Deferred tax assets / (liabilities) net	**(1 295)**	**(1 102)**	**(193)**	**461**

The Group has tax losses of € 6,145 thousand in France (in 2012, tax losses were € 4,666 thousand) that can be carried forward indefinitely against future taxable income of the companies in which the losses arose. The Group did not recognize deferred income tax assets in respect of the losses amounting to € 4,684 thousand (in 2012, € 756 thousand).

The two French entities included in the combined financial statements are members of the tax group set up by Aref Real Estate France under French group relief rules (Article 223-A of the General Tax Code). Under the group relief agreement between the tax group members and Aref Real Estate France, the latter is not required to repay to the tax group members any tax benefits derived from the use of their tax losses generated up to September 30, 2013.

For the year ended September 30, 2012, the amended *Finance Act 2012* has limited the carry forward of losses, loss carry forwards available to a company can be deducted from taxable income tax years following beneficiaries in the limit of an amount equal to € 1 million plus 60% of taxable income above the threshold. The 60% rate was lowered to 50% for the year ended September 30, 2013. The fraction of the tax loss that cannot be charged is carried forward to subsequent years and is due on the same terms. As before, this deferral of tax losses can be carried out indefinitely unless the Group leaves the tax group.

Note 10 - Investment properties

(in thousands of Euros)

Investment property	As at September 30, 2013	2012
At the beginning of period	**42 388**	**44 261**
Additions:	458	200
Disposals		
Rent free period	155	195
Capitalised letting fees	(38)	77
Fair value adjustment	(4 363)	(2 345)
At the end of the period	**38 600**	**42 388**

As at September 30, 2013, 2012 and 2011, the fair value of investment properties has been determined on a market value basis in accordance with International Valuation Standards ("IVS"), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As set out in Note 2 – Significant accounting judgments, estimates and assumptions, in arriving at their estimates of market values, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables.

The valuations were performed by leading independent appraisers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

Independent appraisers have adopted the yield method i.e. "Term & Reversion" approach to determine the fair value of each investment property as at each closing date.

The significant assumptions made relating to valuations are set out below:

(in thousands of Euros)

As at September 30, 2011	Building "Baldi"	Building "Sabliere"
Passing rent per sqm	220	420
Estimated rental value (market rent) per sqm	190	370
Average net initial yeld	5,67%	5,27%
Reversionary yeld	8,15%	7,09%
Inflation rate	N/A - Capitalisation method	N/A - Capitalisation method

As at September 30, 2012	Building "Baldi"	Building "Sabliere"
Passing rent per sqm	188	370
Estimated rental value (market rent) per sqm	190	370
Average net initial yeld	4,12%	6,55%
Reversionary yeld	8,64%	7,17%
Inflation rate	N/A - Capitalisation method	N/A - Capitalisation method

As at September 30, 2013	Building "Baldi"	Building "Sabliere"
Passing rent per sqm	74	296
Estimated rental value (market rent) per sqm	147	354
Average net initial yeld	3,03%	5,16%
Reversionary yeld	9,11%	6,75%
Inflation rate	N/A - Capitalisation method	N/A - Capitalisation method

As at September 30, 2013 properties with an aggregate value of € 39,700 thousand (as at September 30, 2012, the value was € 43,410 thousand), before deduction of real estate transfer tax on purchase option are held under lease agreements. Future lease payments are presented in Note 16 – Finance lease liabilities.

As at September 30, 2013, 2012 and 2011 the portfolio had the following vacancy rates calculated based on the Estimated Rental Values:

As at September 30, 2011	Building "Baldi"	Building "Sabliere"
Vacancy rate	34,28%	26,75%

As at September 30, 2012	Building "Baldi"	Building "Sabliere"
Vacancy rate	38,02%	15,45%

As at September 30, 2013	Building "Baldi"	Building "Sabliere"
Vacancy rate	28,28%	31,50%

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties.

(in thousands of Euros)	For the years ended September 30,		
Building "Baldi"	**2013**	**2012**	**2011**
Increase in yield of 25 bps	21 000	25 800	27 760
Decrease in rental rates of 5%	21 000	25 570	27 380
Building "Sablière"	**2013**	**2012**	**2011**
Increase in yield of 25 bps	17 100	16 220	15 990
Decrease in rental rates of 5%	16 900	16 077	15 760

Note 11 - Financial assets

Financial assets held by the Group are exclusively composed of SICAV (money-market mutual fund). Changes in financial assets can be detailed as follows:

(in thousands of Euros)	As at September 30,	
Financial assets	**2013**	**2012**
At the beginning of period	-	
Additions	37	
Fair value adjustment		
Disposals		
At the end of the period	**37**	

Note 12 - Trade and other receivables

(in thousands of Euros)	As at September 30,	
Trade and other receivables	**2013**	**2012**
Trade receivables	382	180
Provision for impairment of receivables	(69)	(24)
Trade receivables	**314**	**156**
Receivables from related parties	1 016	351
VAT receivable	793	768
Other Assets	70	77
Prepaid expenses	114	39
Other receivables	**1 993**	**1 234**
Total trade and other receivables	**2 306**	**1 390**

The share of trade and other receivables with related parties is disclosed in Note 18 – Transactions with related parties. Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Movements in the provision for impairment of receivables were as follows:

(in thousands of Euros)	As at September 30,	
Provision for impairment of receivables	**2013**	**2012**
Allowance - Beginning of the year	(24)	(98)
Charge for the period	(49)	(21)
Utilised	4	95
At the end of the period	**(69)**	**(24)**

Note 13 - Cash and cash equivalents

(in thousands of Euros)	As at September 30,	
Cash and cash equivalents	**2013**	**2012**
Cash at bank and on hand	1 252	2 820
Total	**1 252**	**2 820**

Note 14 - Interest-bearing loans and borrowings and finance lease liabilities

(in thousands of Euros)	Effective interest rate	Maturity	As at September 30,			
			2013	2012	2013	2012
			Non current		Current	
€ 2,500,000 subordinated loans	10,80%	17/05/2015	1 962	1 962	1 271	1 059
Total interest-bearing loans			1 962	1 962	1 271	1 059
€ 16,621,000 finance lease liabilities	Euribor 3M + 1,05%	09/06/2017	10 486	11 168	682	620
Total finance lease liabilities			10 486	11 168	682	620
Aref Sablière - Building "SABLIERE"			**12 448**	**13 130**	**1 954**	**1 679**
€ 3,159,000 subordinated loans	10,80%	17/05/2015	3 160	3 160	2 047	1 706
€ 925,000 subordinated loans	Euribor 3M + 1,00%	30/09/2017	728	808	80	75
Total interest-bearing loans			3 888	3 968	2 127	1 782
€ 29,954,728 finance lease liabilities	Euribor 3M + 1,00%	30/09/2017	17 995	18 999	1 004	919
Total finance lease liabilities			17 995	18 999	1 004	919
Aref Second Property- Building "BALDI"			**21 883**	**22 967**	**3 131**	**2 701**
Total interest-bearing loans			5 850	5 930	3 398	2 841
Total finance lease liabilities			28 480	30 167	1 687	1 539

Subordinated loans have been subscribed by Aref Real Estate France, mother company of Aref Sablière and Aref Second Property. Aref Real Estate France agreed in January 2012 to extend the initial maturities of the Subordinated loans due on May 17, 2012 and September 14, 2012 to May 17, 2015.

Note 15 - Trade and other payables

(in thousands of Euros)	As at September 30,	
Trade and other payables	**2013**	**2012**
Trade payables - third parties	1 280	1 515
Trade payables - related parties	3 153	2 451
Trade payables..	**4 433**	**3 966**
VAT payable	1	-
Other liabilities - third parties	299	513
Other liabilities - related parties	1 526	1 117
Deferred income	78	63
Other payables...	**1 903**	**1 693**
Total trade and other payables	**6 336**	**5 659**

The share of trade and other payables on related parties is disclosed in Note 18 – Transactions with related parties.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Note 16 - Finance lease liabilities

The Group acquired certain leasehold properties that it classifies as investment properties (See Note 10 - Investment properties). The leases are accounted for as finance leases.

Typically in these leases:

- lease terms are 12 years (starting June 9, 2005 and September 30, 2005);
- the lessee has the option to purchase the asset of the lease between five to ten years after inception and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable;
- at the inception of the leases, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

(in thousands of Euros)	2013		2012	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	1 687	2 094	1 539	1 948
After 1 year, but not more than 5 years	28 480	29 745	30 167	31 839
More than 5 years	-		-	
	30 167	**31 839**	**31 706**	**33 786**
Less : future interest costs		(1 672)		(2 080)
	30 167	**30 167**	**31 706**	**31 706**
Of which is non current	28 480		30 167	
Of which is current	1 687		1 539	
	30 167		**31 706**	

Terms of loans and borrowings related to these finance leases are presented in Note 14 – Interest-bearing loans and borrowings.

Note 17 - Financial risk management objectives and policies

The Group is exposed to market risk, real estate risk, credit risk and liquidity risk.

The General Managers use the services of Inovalis for financial risk management.

The General Managers and Inovalis' debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advises on financial risks and the appropriate financial risk governance framework for the Group. The debt management department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Managers have reviewed and agreed to policies for managing each of these risks, which are summarized below.

Market risk

Given its level of debt, the Group is exposed to significant risks related to liquidity and changes in interest rates. The Group's counterparty risk in relation to its derivatives is not significant as the majority of its derivatives are set up with the lessors of the finance lease contracts.

Generally, interest rate is managed centrally for the Group as a whole by the Debt Management Department.

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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

As at September 30, 2013 and 2012, interest caps and floors closely related to host finance lease contracts were out of the money.

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also "Credit Risk" below). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of association
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions including the lessors of the investment properties is managed by the debt management department of the Group in accordance with Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

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 Group's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Managers. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

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

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest costs on subordinated loans which are presented in a separate table below and future interest costs on finance lease liabilities which are presented in Note 16 – Finance lease liabilities). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

(in thousands of Euros) **Year ended September 30, 2013**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loans		20	60	728		808
Finance leases		407	1 279	28 480		30 167
Loans from related parties			3 319	5 122		8 441
Tenant deposits			58	39	420	517
Trade and other payables - Third & related parties			6 336			6 336
	-	**427**	**11 052**	**34 369**	**420**	**46 268**

(in thousands of Euros) **Year ended September 30, 2012**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loans		18	57	808		883
Finance leases		371	1 168	30 167		31 706
Loans from related parties			2 766	5 122		7 888
Tenant deposits	23			53	321	397
Trade and other payables - Third & related parties			5 659			5 659
	23	**390**	**9 649**	**36 150**	**321**	**46 533**

Future interest costs on subordinated loans

The analysis below describes reasonably possible future interest costs on subordinated loans with all other variables held constant.

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended September 30, 2013						
€ 1,962,000 subordinated loan	10,80%	17/05/2015	293	212	81	
€ 3,159,000 subordinated loan	10,80%	17/05/2015	471	341	130	
€ 925,000 subordinated loan	Euribor 3M + 1,00%	30/09/2017	42	11	31	
Total future interest costs			**805**	**564**	**241**	**-**

(in thousands of Euros)	Effective interest rate	Maturity	Future interest costs	Less than 1 year	1 to 5 years	> 5 years
Year ended September 30, 2012						
€1,962,000 subordinated loan	10,80%	17/05/2015	504	212	293	
€ 3,159,000 subordinated loan	10,80%	17/05/2015	812	341	471	
€ 925,000 subordinated loan	Euribor 3M + 1,00%	30/09/2017	42	11	31	
Total future interest costs			**1 358**	**564**	**794**	**-**

As set out in Note 14 – Interest-bearing loans and borrowings, the initial maturities of the subordinated loans have been extended.

Liquidity management

These combined financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the businesses of both Aref Sablière and Aref Second Property 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.

In January 2012 the subordinated loans reimbursement have been postponed to May 17, 2015.

In December 2013, Inovalis also confirmed it will not ask for the payment of the fees due by Aref Sablière and Aref Second Property until the end of September 2014.

Aref Real Estate France, shareholder of Aref Sablière and Aref Second Property, has also confirmed it will not ask for the payment of interests due on the loan, neither ask for early payment of the loan due to the non-payment of the interests, until the end of September 2014.

Fair value of assets and liabilities

Below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are carried in the financial statements.

(in thousands of Euros)	Carrying amount		Fair value	
	As at September 30,		As at September 30,	
	2013	2012	2013	2012
Financial assets				
Trade and other receivables	1 177	1 001	1 177	1 001
Other financial assets	37	-	37	-
Cash and cash equivalents	1 252	2 820	1 252	2 820
	2 465	**3 821**	**2 465**	**3 821**
Financial liabilities				
Interest-bearing loan	808	883	808	883
Finance lease	30 167	31 706	29 247	30 809
Tenant deposits	517	397	517	397
Trade and other payables	1 281	1 515	1 281	1 515
	32 772	**34 502**	**31 853**	**33 605**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash and short-term deposits, trade and other receivables (except short-term loan with the mother company) and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of the short-term loans with Aref Real Estate France corresponds to the nominal amount of the loans because interest rate is updated each year at market conditions.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair values of the subordinated loans subscribed by ultimate shareholders in their capacity as lenders are considered to be their nominal values.
- The fair value of tenant deposits corresponds to the carrying amount because the latter is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates.

Note 18 - Transactions with related parties

The Group's immediate parent company is "Aref Real Estate France", which owns 100% of Aref Sablière and Aref Second Property's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(in thousands of Euros)

Related parties	Total	Amount due to Inovalis	Amount due to REALISTA (Subsidiary of Inovalis)	Amount due to INOPROM (Subsidiary of Inovalis)	Amount due to Adyal PM (Subsidiary of Inovalis)	Amount due to Adyal FM (Subsidiary of Inovalis)	Amount due to Aref Real Estate France
Year ended September 30, 2013							
Fees	(1 100)	(654)	(132)	(13)	(18)	(282)	-
Interests	(562)						(562)
Trade and other receivables	1 016						1 016
Related parties - Interest-bearing loans	(8 440)						(8 440)
Trade and other payables	(4 679)	(3 021)		(32)	(22)	(79)	(1 526)

(in thousands of Euros)

Related parties	Total	Amount due to Inovalis	Amount due to REALISTA (Subsidiary of Inovalis)	Amount due to INOPROM (Subsidiary of Inovalis)	Amount due to Adyal PM (Subsidiary of Inovalis)	Amount due to Adyal FM (Subsidiary of Inovalis)	Amount due to Aref Real Estate France
Year ended September 30, 2012							
Fees	(848)	(686)	(163)	-	-	-	-
Interests	(570)						(570)
Trade and other receivables	351						351
Related parties - Interest-bearing loans	(7 887)						(7 887)
Trade and other payables	(3 567)	(2 346)	(99)	(6)			(1 117)

Transactions with related parties are described hereafter:

- The financial terms and conditions of the comfort granted by Aref Real Estate France in its capacity as shareholder and lender are described in Note 17 – Financial risk management objectives and policies and in Note 14 – Interest bearing loans and borrowings and finance lease liabilities.
- The financial terms and conditions of the waivers granted by Inovalis are described in Note 17 – Financial risk management objectives and policies.

The Group did not record any impairment of receivables relating to amounts owed by related parties in any of these years. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Fees

Fees paid to Inovalis and Réalista (replaced by Adyal in June 2013) consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 0.9% plus 0.1% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. Réalista / Adyal is entitled to an annual remuneration calculated as 0.2% of the value of the managed property (value at the date of inception of the agreement) plus an additional remuneration of 2% of all cash collection in its capacity as property manager.

Strategic fees are included in “Administration expenses” in the combined income statement, and related payables and receivables are recorded in “Trade and other payables” and in “Trade and other receivables” in the combined balance sheet. Strategic fee compensates for services which consist of preparing and updating annual budget and business plan to investors, making the settlements included in the annual budget and business plan and contracting with third parties.

Property management fees are included in “Other property operating expense” in the combined income statement, and related payables and receivables are recorded in “Trade and other payables” and in “Trade and other receivables” in the combined balance sheet.

Note 19 - Derivative financial instruments and hedging activities

Interest rates caps and floors embedded in finance lease contracts are as follows:

Building "Baldi"	Floor	Cap
From 09/30/2005 to 09/30/2009	2,38%	4,50%
From 10/01/2009 to 09/30/2010	2,38%	5,00%
From 10/01/2011 to 09/30/2012	-	5,00%
From 10/01/2012 to 09/29/2017	-	-

Building "Sabliére"	Floor	Cap
From 06/09/2005 to 06/30/2008	2,10%	5,00%
From 07/01/2008 to 03/31/2010	2,10%	5,50%
From 04/01/2010 to 06/30/2011	-	5,50%
From 07/01/2011 to 06/30/2013	-	6,00%
From 07/01/2013 to 06/08/2017	-	-

These embedded derivatives are not separated from finance lease contracts because they are closely related to host instruments.

Note 20 - Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 21 - Off-balance sheet commitments

(in thousands of Euros)	For the years ended September 30,	
Off-balance sheet commitments given	**2013**	**2012**
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	769	977
Aref Sablière - Building "SABLIERE"	**769**	**977**
Pledge of the advance lease payment (the "lessee loan") in favor of lessors	1 741	2 176
Aref Second Property- Building "BALDI"	**1 741**	**2 176**

For both entities the receivables from tenants are pledge in favor of lessors.

Note 22 - Subsequent Events

On October 17, 2014 Aref Sablière and Aref Second Property have each entered into a bilateral promise of sale of the finance lease contracts including tenants' portfolio to subsidiaries of the REIT. On the basis of these agreements, which are part of a global negotiation with the REIT, the outstanding debts of the finance lease contracts are sold at their nominal values and the deemed sale price of the investment properties amounts to € 36,830 thousand which is € 1,770 thousand below the fair value of the investment properties presented on the combined balance sheet. This € 1,770 thousand difference would generate a decrease of € 509 thousand on the deferred tax liability presented on the combined balance sheet.

The realization of the sales is subject to the following conditions:

- Obtaining of a formal agreement from the lessor authorizing the sales no later than November 30, 2014
- Inovalis Real Estate Investment Trust to raise funds for a minimum of CAD 35 million

AREF Portfolio Group

Interim Condensed Combined Financial Statements for the nine-month period ended June 30, 2014

Interim Condensed Combined Income Statement for the nine-month period ended June 30, 2014

(in thousands of Euros)		Unaudited	
		For the 9 month periods ended June 30,	
Interim condensed combined income statement	***Note***	**2014**	**2013**
Rental income	*2*	1 843	2 118
Service charge income	*2*	1 029	767
Service charge expense	*3*	(1 348)	(1 318)
Other property operating expense	*3*	(3)	3
Net rental income		1 520	1 570
Administration expenses		(552)	(552)
Valuation gains (losses) from investment properties	*7*	5 845	(3 770)
Operating profit (loss)		6 813	(2 752)
Finance income	*4*	20	15
Finance costs	*4*	(782)	(767)
Profit (loss) before taxes		6 051	(3 503)
Income tax expense	*6*	(1 501)	(317)
Profit (loss) for the period		**4 550**	**(3 820)**

Interim Condensed Combined Statement of Comprehensive Income for the nine-month period ended June 30, 2014

(in thousands of Euros)	Unaudited	
	For the 9 month periods ended June 30,	
Interim condensed combined statement of comprehensive income	**2014**	**2013**
Profit (loss) for the period	**4 550**	**(3 820)**
Other comprehensive income		
Total comprehensive income (loss)	4 550	(3 820)

Interim Condensed Combined Balance Sheet as at June 30, 2014

(in thousands of Euros)		Unaudited	Audited
Assets	***Note***	**As at June 30, 2014**	**As at September 30, 2013**
Non-current assets			
Investment property	*7*	44 910	38 600
Restricted cash and other financial assets	*8*	37	37
Total non-current assets		44 947	38 636
Current assets			
Trade and other receivables	*9*	2 551	2 306
Cash and cash equivalents	*10*	257	1 252
Total current assets		2 808	3 558
Total assets		**47 756**	**42 194**

		Unaudited	Audited
Equity and Liabilities	***Note***	**As at June 30, 2014**	**As at September 30, 2013**
Liabilities			
Non-current liabilities			
Interest-bearing loan and borrowings	*11*	5 787	5 850
Finance lease liabilities	*11, 13*	27 113	28 480
Tenant deposits	*14*	459	458
Deferred tax liabilities	*6*	2 796	1 295
Total non-current liabilities		36 155	36 084
Current liabilities			
Interest-bearing loan and borrowings	*11*	3 816	3 398
Finance lease liabilities	*11, 13*	1 803	1 687
Tenant deposits	*14*	59	58
Trade and other payables	*12*	6 741	6 336
Total Current liabilities		12 419	11 479
Total liabilities		48 574	47 563
Invested Equity			
Invested Equity		(819)	(5 369)
Total invested equity		(819)	(5 369)
Total equity and liabilities		**47 755**	**42 194**

Interim Condensed Combined Statement of changes in Invested Equity

(in thousands of Euros)

Interim condensed combined statement of changes in invested equity	Total Invested Equity
As at September 30, 2012 - Unaudited	**(1 037)**
Profit / (loss) for the period	(3 820)
As at June 30, 2013 - Unaudited	**(4 858)**
Profit / (loss) for the period	(511)
As at September 30, 2013 - Audited	**(5 369)**
Profit / (loss) for the period	4 550
As at June 30, 2014 - Unaudited	**(819)**

Interim Condensed Combined Statement of Cash Flows for the nine-month period ended June 30, 2014

(in thousands of Euros)		Unaudited	
		For the nine-month periods ended June 30,	
Interim condensed combined statement of cash flows	***Note***	**2014**	**2013**
Cash flow from operating activities			
Profit (loss) before taxes		6 051	(3 503)
			-
Adjustments to reconcile profit (loss) before taxes to net cash flows			-
Rent free period	*7*	(223)	(102)
Capitalised letting fees	*7*	(31)	13
Valuation (gains) / losses from investment properties	*7*	(5 845)	3 770
Loss (gain) on financial instruments at FVTP&L		15	(16)
Finance lease - interest expense	*4*	304	307
Interest expense on interest bearing notes - related parties		415	415
		686	883
Working capital adjustments			
(increase) / decrease in trade and other receivables		(244)	(835)
increase / (decrease) in tenants deposits		(14)	121
increase / (decrease) in trade and other payables		405	1 081
Net Cash generated from operating activities		833	1 251
Cash flow from investing activities			
Subsequent expenditure on investment property		(213)	(397)
Increase of other financial assets		(0)	(0)
Net Cash used in investing activities		(213)	(397)
Cash flow from financing activities			
Repayment of borrowings		(59)	(56)
Repayment of finance lease liabilities		(1 251)	(1 141)
Interest paid		(304)	(307)
Net Cash used in financing activities		(1 614)	(1 504)
Net (decrease) increase in cash and cash equivalents		**(995)**	**(650)**
Cash & cash equivalents at the beginning of the period		**1 252**	**2 820**
Cash and cash equivalents at the end of the period		**257**	**2 170**

Notes to the Interim Condensed Combined Financial Statements

Note 1 - Basis of preparation

Background and Perimeter of combination

The interim condensed combined financial statements of Aref Portfolio Group (referred to as the “Group” afterwards) designate the combination of Aref Sablière S.a.r.l and a carve out of Aref Second Property S.a.r.l two private limited companies both created on May 17, 2005 under French law (registration numbers respectively: 482 351 210 RCS Paris and 482 345 345 RCS Paris). Their registered offices are located at 52, rue de Bassano 75008 Paris, France.

These interim condensed combined financial statements of Aref Portfolio Group have been prepared:

- by extracting from Aref Second Property historical financial statements all assets, liabilities, revenues and expenses that pertain to its business related to the property located in Saint-Ouen (referred to as the “Baldi property”) and held under finance leases.
- and with historical financial statements for Aref Sablière.

These interim condensed combined financial statements have been prepared solely in connection with the business acquisition report of Inovalis Real Estate Investment Trust (the “REIT”) (referred to as the “BAR”) for the purpose of the acquisition of a portfolio of commercial real estate assets composed of two buildings located in France.

Aref Sablière and Aref Second Property are subsidiaries of Aref Real Estate France which is an associate of Inovalis S.A (referred to as the “Management company” or “Inovalis”), a private company specializing in investment fund management in real estate, created on November 16, 1998 under French law (registration number: 420 780 835 RCS Paris) and registered by the Autorité des Marchés Financiers in France (the “AMF”) since March 10, 2010 as a Portfolio Management Company (registration number GP 1000009).

The interim condensed combined financial statements of Aref Portfolio Group were authorized for issue by the legal representative of Aref Real Estate France (the "Président") on October 30, 2014.

Nature of Business

The objective of the Group is to achieve long term equity gains from acquiring real estate investments, making necessary capital improvements or renovations and refurbishments to such real estate investments in the ordinary course of letting and selling such real estate investments.

- Aref Sablière holds rights through a finance lease contract on a French commercial property located at 27 and 29 rue de la Sablière, 25 rue Hippolyte Maindron, 24 and 26 rue Benard, Paris (75014), France, referred to as the “Sablière property” onwards. The sale to a subsidiary of the REIT of the finance lease contract, under which this property is held including the transfer of the lease contracts with the tenants of such property, was duly authorized by a resolution of the sole shareholder on October 3, 2014.

- Aref Second Property holds rights through a finance lease contract on a French commercial property located at 44/50 avenue du Capitaine Glarner Saint-Ouen (93400), France, referred to as the “Baldi property” onwards. The company holds another real estate finance leases not included in the Aref Portfolio. The carve out from its financial statements was carried out for the purposes of the Aref Portfolio to present the assets, liabilities, revenues and expenses that relate to the Baldi property located 44/50 avenue du Capitaine Glarner Saint-Ouen, France, that is to be transferred to a subsidiary of the REIT through the sale of the finance lease contract under which the Baldi property is held and the transfer of the lease contracts with the tenants of such property. The sale of the Baldi property finance lease contract held by Aref Second Property and of the related lease contracts with tenants was duly authorized by a resolution of the shareholder on October 3, 2014.

Methods used for the preparation of the interim condensed combined financial statements

The accompanying interim condensed combined financial statements for the nine-month period ended June 30, 2014 have been prepared in accordance with IAS 34, “Interim financial reporting” to present the historical operations and financial position of Sablière and Baldi properties as of and for the period ended June 30, 2014, on the basis that these two businesses are ultimately under the control of the same shareholder. This Interim Condensed Combined financial statements should be read in conjunction with the Combined financial statements for the year ended September 30, 2013, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The accompanying interim condensed combined financial statements as of and for the periods ended June 30, 2014 and 2013, have been derived from the individual financial statements of Aref Sablière and carved out financial statements of Aref Second Property historically prepared by the General Managers under French GAAP to comply with IFRS.

The Group is not a legal group or separately established investment entity and did not previously operate as a separate, stand-alone Group. The interim condensed combined financial statements included herein may not necessary be indicative of the Group’s financial position, results of operations, changes in invested equity or cash flows had the Group operated as a stand-alone entity during the periods presented or for future periods.

There are no intra-group transactions (i.e transactions between Aref Sablière and Aref Second Property).

All significant balances and transactions with related parties are disclosed as balances and transactions with related parties as if the Group had been a stand-alone company during the period presented (see Note 15 – Transactions with related parties).

The financial statements of entities in the perimeter of combination are prepared as of the same closing date, using consistent accounting policies.

Changes in total invested equity represent Group's net investment in the Aref Portfolio after giving effect to the net earnings (losses) of Aref Portfolio Group.

Methods used for the preparation of the interim condensed carve-out financial statements of Aref Second Property included in the condensed combined financial statements of Aref Portfolio Group

The interim condensed carve out financial statements of Baldi property for the nine-month period ended June 30, 2014 have been prepared in accordance with IAS 34, "Interim financial reporting". These Interim Condensed carve out financial statements should be read in conjunction with the carve-out financial statements for the year ended September 30, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

IFRS do not include guidance on preparing carve-out financial statements and the principles and conventions described below explain how IFRS have been applied to prepare the carve-out financial statements.

The interim condensed carve-out financial statements of the Baldi property have been prepared for the different period presented, based on the extraction of all financial information related to the Baldi property from Aref Second Property's interim financial statements. All assets, liabilities, revenues and expenses directly related or attributable to the property located in Saint-Ouen (including cost of investment properties, rental income and related receivables, service charge income and expenses and related receivables and payables, finance lease interests and borrowings) have been extracted from Aref Second Property records to prepare these interim carve-out financial statements. Administrative expenses other than service charge income and expense and other property operating expense have been allocated based on the number of properties (1 out of 2).

Subordinated loans and related interests have been allocated based on the Baldi property's part in total financing of the properties at the inception of the leases.

Initial equity contribution consists of the contribution made by the shareholders for the initial acquisition (2005) and financing of the Baldi property. Opening invested equity as of October 1st, 2011 has been carved out and allocated as follows:

- Net rental income and administration expenses accumulated over the period 2005 (inception)–September 30, 2011 have been allocated property by property when they were directly related or attributable, and when it was not possible based on the initial purchase price of the Baldi property in Aref Second Property,
- Finance costs accumulated over the period 2005 (inception)–September 30, 2011 have been allocated directly for the finance lease borrowing, and based on the initial purchase price for the other finance interest.

Cash and cash equivalents include bank accounts relating to the Baldi property as of October 1st, 2011 and a balancing share of the Baldi property in general bank accounts of Aref Second Property.

Tax assets and liabilities have been recorded and measured as if the Baldi property had existed as a separate / standalone tax entity from October 1st, 2011. Existing tax loss carry forward as of October 1st, 2011 have been allocated in proportion to the share of the Aref Portfolio in accumulated losses.

The Baldi property is not a legal entity and did not previously operate as a separate, stand-alone entity. The interim carve-out financial statements included herein may not necessary be indicative of the Baldi property's financial position, results of operations, changes in invested equity or cash flows had the Baldi property operated as a stand-alone entity during the periods presented or for future periods.

Accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the new Standards, amendments and Interpretations applicable from October 1, 2013 mentioned below. The following new Standards, amendments and Interpretations have no material impact on the Group's combined financial statements as at June 30, 2014:

- IAS 19 – Employee Benefits;
- IAS 27 – Separate Financial Statements;
- IAS 28 – Investments in Associates and Joint Ventures;
- IFRS 1 – Government Loans;
- IFRS 7 – Disclosures, Offsetting Financial Assets and Financial Liabilities;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;
- IFRS 13 – Fair Value Measurement;
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.

The Group has not opted for early application of the following Standards, amendments and Interpretations of which application is not mandatory for the first time for the financial year beginning on October 1, 2013:

- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 16 and IAS 41 – Agriculture, Bearer Plants;
- IAS 19 – Defined Benefit Plans: Employee Contributions;
- IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- IFRS 9 – Financial Instruments, Hedge Accounting and amendements to IFRS 9, IFRS 7 and IAS 39;
- IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures;
- IFRS 11 –Accounting for Acquisitions of Interests in Joint Operations;
- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 15 – Revenue from Contracts with Customers;
- IFRIC 21 – Levies.

The Group intends to adopt these standards when they become effective. The Group has not yet assessed the potential impacts of those new Standards, Amendments and Interpretations on its combined financial statements in the period of initial application.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Due to the nature of its business, the Group revenue is not subject to any seasonality. Revenues and operating profits are evenly spread out over the year.

Judgments and Estimates

The preparation of interim condensed combined financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

In preparing these interim condensed combined financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended September 30, 2013.

Note 2 - Revenue

(in thousands of Euros)	Unaudited For the nine-month periods ended June 30,	
Revenue	**2014**	**2013**
Rental income	1 843	2 118
Service charge income	1 029	767
Total revenue	**2 871**	**2 885**

The Group has entered into operating leases on its property portfolio. The commercial property leases typically have lease terms between three and nine years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain break options before the end of the lease term.

The Group has granted incentives such as rent-free periods to new tenants. The number of months of rent-free periods granted goes from 6 months to 1 year. The total unamortized portion of rent-free periods is detailed as follows:

(in thousands of Euros)	Unaudited For the nine-month periods ended June 30,	
Rent-free period (lease incentives not fully amortized)	**2014**	**2013**
Gross amount of lease incentives not fully amortized - beginning of the period	3 039	336
Additional incentives granted during the period	91	3 105
Recognised in profit or loss	(499)	(248)
Net amount of lease incentives not fully amortized	**2 631**	**3 194**

Note 3 - Service charge and other property operating expense

(in thousands of Euros)	Unaudited For the nine-month periods ended June 30,	
Service charge and other property operating expenses	**2014**	**2013**
Operating expenses	(1 225)	(1 211)
Maintenance and repairs	(1)	-
Property management expenses - related parties	(122)	(107)
Service charge expense	(1 348)	(1 318)
Other	(3)	3
Other property operating expense	(3)	3
Total property expenses	**(1 351)**	**(1 314)**

Operating expenses are composed mainly of insurance premiums, property management fees and other fees.

Note 4 - Finance income and costs

(in thousands of Euros)	Unaudited For the nine-month periods ended June 30,	
Finance income	**2014**	**2013**
Finance income	20	15
Total finance income	**20**	**15**

(in thousands of Euros)	For the nine-month periods ended June 30,	
Finance costs	**2014**	**2013**
Interest on bank loans	(8)	(9)
Interest on interest bearing notes - related parties	(455)	(467)
Finance lease - interest expense	(304)	(307)
Finance cost - interest	**(767)**	**(783)**
Net change in fair value of financial instruments at fair value through profit or loss	(15)	16
Total finance costs	**(782)**	**(767)**

Note 5 - Segment information

All of the properties included in these condensed combined financial statements are located in France and are composed of office assets. As a consequence of the generic nature of the properties and the single location, the Management believes that it is appropriate to classify all operations of the Aref Portfolio under one operating segment.

Revenue derived from tenants that represent more than 10% of the Group's revenues amounts to € 1,927 thousand for the nine-month period ended June 30, 2014 and € 1,810 thousand for the nine-month period ended June 30, 2013.

Note 6 - Taxation

The major components of income tax expense for the periods presented are:

(in thousands of Euros)	Unaudited For the nine-month periods ended June 30,	
Income tax	**2014**	**2013**
Current tax		
Deferred tax	(1 501)	(317)
Income tax (expense) income reported in the income statement	**(1 501)**	**(317)**

(in thousands of Euros)	For the nine-month periods ended June 30,	
	2014	**2013**
Profit before tax	**6 051**	**(3 503)**
Tax rate applicable to group profits	33,33%	33,33%
Tax calculated at tax rate applicable to group profits	(2 017)	1 168
Non deductible expenses	(125)	(67)
Utilisation of previously unrecognised tax losses	640	
Tax losses for which no deferred income tax asset was recognised		(1 418)
Total tax (expense) income reported in the income statement	**(1 501)**	**(317)**

(in thousands of Euros)	Interim condensed combined balance sheets		Interim condensed combined income statements	
	For the nine-month periods ended June 30,		For the nine-month periods ended June 30,	
	2014	2013	2014	2013
Deferred tax liabilities				
Revaluations of investment properties to fair value	(812)	(2 376)	1 818	-1 058
Restatement of lease	4 878	4 124	570	533
Rent free period	36	61	(15)	(9)
Paid and amortisation of capitalised letting fees	46	44	11	(4)
Revaluations of financial instrument to fair value	13	20	(5)	5
Other deferred tax liabilities				
	4 161	**1 873**	**2 379**	**(533)**
Deferred tax assets				
Restatement of lease				
Valuation at fair value of the VAT liability				
Losses available for offset against future taxable income	1 365	454	878	-850
Other deferred tax assets				
	1 365	**454**	**878**	**(850)**
Deferred income tax expense				
Deferred tax assets / (liabilities) net	**(2 796)**	**(1 419)**	**(1 501)**	**(317)**
Reflected in the balance sheet as follows :				
- Deferred tax assets	-	-	-	-
- Deferred tax liabilities	(2 796)	(1 419)	(1 501)	(317)
Deferred tax assets / (liabilities) net	**(2 796)**	**(1 419)**	**(1 501)**	**(317)**

The Group has tax losses of €7,389 thousand in France as of June 30, 2014 (of € 5,791 thousand as of June 30, 2013) that can be carried forward indefinitely against future taxable income of the companies in which the losses arose. The Group did not recognize deferred income tax asset in respect of the losses amounting to € 3,294 thousand as of June 30, 2014 (€ 4,430 thousand as of June 30, 2013).

The two French entities included in the combined financial statements are members of the tax group set up by Aref Real Estate France under French group relief rules (Article 223-A of the General Tax Code). Under the group relief agreement between the tax group members and Aref Real Estate France, the latter is not required to repay to the tax group members any tax benefits derived from the use of their tax losses generated up to June 30, 2014.

For the year ended September 30, 2012, the amended *Finance Act 2012* has limited the carry forward of losses, loss carry forwards available to a company can be deducted from taxable income tax years following beneficiaries in the limit of an amount equal to € 1 million plus 60% of taxable income above the threshold. The 60% rate was lowered to 50% for the year ended September 30, 2013. The fraction of the tax loss that cannot be charged is carried forward to subsequent years and is due on the same terms. As before, this deferral of tax losses can be carried out indefinitely unless the Group leaves the tax group.

Note 7 - Investment properties

(in thousands of Euros)	Unaudited	Audited	Audited
Investment properties	**As at June 30, 2014**	**As at September 30, 2013**	**As at June 30, 2013**
At the beginning of period	**38 600**	**42 388**	**42 388**
Additions:	213	458	397
Disposals			
Rent free period	223	155	102
Capitalised letting fees	31	(38)	(13)
Fair value adjustment	5 844	(4 363)	(3 769)
At the end of the period	**44 911**	**38 600**	**39 105**

As at June 30, 2014 and September 30, 2013 the fair value of investment properties have been determined on a market value basis in accordance with International Valuation Standards ("IVS"), as set out by the IVSC. The valuation is prepared on an aggregated ungeared basis. As set out in Note 1 – Basis of preparation, in arriving at their estimates of market values, the valuators have used their market knowledge and professional judgment and not only relied on transactional comparables.

Fair value measurement for investment properties is categorized within Level 3 of the fair value hierarchy (use of a model with inputs that are not based on observable market data).

The valuations were performed by leading independent appraisers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

Independent appraisers have adopted the yield method i.e. "Term & Reversion" approach to determine the fair value of each investment property as at each closing date.

The significant assumptions made relating to valuations are set out below:

(in thousands of Euros)

As at June 30, 2014	**Building "Baldi"**	**Building "Sabliere"**
Passing rent per sqm (including parking)	124	320
Estimated rental value (market rent) per sqm	159	354
Core Yield	7,25%	6,00%
Average net initial yeld	5,25%	5,45%
Reversionary yeld	7,93%	6,03%
Inflation rate	N/A - Capitalisation method	N/A - Capitalisation method

As at September 30, 2013	**Building "Baldi"**	**Building "Sabliere"**
Passing rent per sqm (including parking)	74	296
Estimated rental value (market rent) per sqm	147	354
Average net initial yeld	3,03%	5,16%
Reversionary yeld	9,11%	6,75%
Inflation rate	N/A - Capitalisation method	N/A - Capitalisation method

As at June 30, 2014 properties with an aggregate value of € 46,100 thousand, before deduction of real estate transfer tax on purchase option are held under lease agreements. Future lease payments are presented in Note 13 – Finance lease liabilities.

As at June 30, 2014 and September 30, 2013, the portfolio had the following vacancy rates calculated based on the Estimated Rental Values:

As at June 30, 2014	Building "Baldi"	Building "Sabliere"
Vacancy rate	28,50%	17,92%

As at September 30, 2013	Building "Baldi"	Building "Sabliere"
Vacancy rate	28,28%	31,50%

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property.

Building "Baldi"	As at June 30, 2014	As at September 30, 2013	As at June 30, 2013
Increase in yield of 25 bps	**24 500**	**21 000**	**21 000**
Decrease in rental rates of 5%	**24 400**	**21 000**	**21 000**

Building "Sablière"	As at June 30, 2014	As at September 30, 2013	As at June 30, 2013
Increase in yield of 25 bps	**19 900**	**17 100**	**17 600**
Decrease in rental rates of 5%	**19 900**	**16 900**	**17 400**

Note 8 - Financial assets

Financial assets held by the Group are exclusively composed of SICAV (money-market mutual fund). Changes in financial assets can be detailed as follows:

(in thousands of Euros)	**Unaudited**	**Audited**
Financial assets	**As at June 30, 2014**	**As at September 30, 2013**
At the beginning of period	**37**	**-**
Additions		37
Fair value adjustment		
Disposals		
At the end of the period	**37**	**37**

Note 9 - Trade and other receivables

(in thousands of Euros)	Unaudited	Audited
Trade and other receivables	**As at June 30, 2014**	**As at September 30, 2013**
Trade receivables	698	382
Provision for impairment of receivables	(62)	(69)
Trade receivables	**637**	**314**
Receivables from related parties	911	1 016
VAT receivable	832	793
Other Assets	86	70
Prepaid expenses	86	114
Other receivables	**1 915**	**1 993**
Total trade and other receivables	**2 551**	**2 306**

The share of trade and other receivables with related parties is disclosed in Note 15 – Transactions with related parties. Rent and service charge receivables are non-interest bearing and are typically due within 30 days.

Movements in the provision for impairment of receivables were as follows:

	Unaudited	Audited
Provision for impairment of receivables	**As at June 30, 2014**	**As at September 30, 2013**
Allowance - Beginning of the year	(69)	(24)
Charge for the period	-	(49)
Utilised	7	4
At the end of the period	**(62)**	**(69)**

Note 10 - Cash and cash equivalents

(in thousands of Euros)	Unaudited	Audited
Cash and cash equivalents	**As at June 30, 2014**	**As at September 30, 2013**
Cash at bank and on hand	257	1 252
Total	**257**	**1 252**

Note 11 - Interest-bearing loans and borrowings and finance lease liabilities

(in thousands of Euros)

	Effective interest rate	Maturity	Unaudited As at June 30, 2014	Audited As at September 30, 2013
			Non current	
€ 2,500,000 subordinated loans	10,80%	17/05/2015	1 962	1 962
Total interest-bearing loans			1 962	1 962
€ 16,621,000 finance lease liabilities	Euribor 3M + 1,05%	09/06/2017	9 931	10 486
Total finance lease liabilities			9 931	10 486
Aref Sablière - Building "SABLIERE"			**11 893**	**12 448**
€ 3,159,000 subordinated loans	10,80%	17/05/2015	3 160	3 160
€ 925,000 subordinated loans	Euribor 3M + 1,00%	30/09/2017	666	728
Total interest-bearing loans			3 825	3 888
€ 29,954,728 finance lease liabilities	Euribor 3M + 1,00%	30/09/2017	17 183	17 995
Total finance lease liabilities			17 183	17 995
Aref Second Property - Building "BALDI"			**21 008**	**21 883**
Total interest-bearing loans			5 787	5 850
Total finance lease liabilities			27 113	28 480

(in thousands of Euros)

	Effective interest rate	Maturity	Unaudited As at June 30, 2014	Audited As at September 30, 2013
			Current	
€ 2,500,000 subordianted loans	10,80%	17/05/2015	1 430	1 271
Total interest-bearing loans			1 430	1 271
€ 16,621,000 finance lease liabilities	Euribor 3M + 1,05%	09/06/2017	732	682
Total finance lease liabilities			732	682
Aref Sablière - Building "SABLIERE"			**2 162**	**1 954**
€ 3,159,000 subordinated loans	10,80%	17/05/2015	2 303	2 047
€ 925,000 subordinated loans	Euribor 3M + 1,00%	30/09/2017	83	80
Total interest-bearing loans			2 386	2 127
€ 29,954,728 finance lease liabilities	Euribor 3M + 1,00%	30/09/2017	1 071	1 004
Total finance lease liabilities			1 071	1 004
Aref Second Property - Building "BALDI"			**3 457**	**3 131**
Total interest-bearing loan			3 816	3 398
Total finance lease liabilities			1 803	1 687

Subordinated loans have been subscribed by Aref Real Estate France, mother company of Aref Sablière and Aref Second Property. Aref Real Estate France agreed in January 2012 to extend the initial maturities of the Subordinated loans due on May 17, 2012 and September 14, 2012 to May 17, 2015.

Note 12 - Trade and other payables

(in thousands of Euros)	Unaudited	Audited
Trade and other payables	**As at June 30, 2014**	**As at September 30, 2013**
Trade payables - third parties	771	1 280
Trade payables - related parties	3 690	3 153
Trade payables	**4 461**	**4 433**
VAT payable	15	1
Other liabilities - third parties	235	299
Other liabilities - related parties	1 973	1 526
Deferred income	56	78
Other payables	**2 280**	**1 903**
Total trade and other payables	**6 741**	**6 336**

The share of trade and other payables on related parties is disclosed in Note 15 – Transactions with related parties. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Note 13 - Finance lease liabilities

The Group acquired certain leasehold property that it classifies as investment properties (See Note 7 - Investment properties). The leases are accounted for as finance leases.

Typically in these leases:

- lease terms are 12 years (starting June 9, 2005 and September 30, 2005);
- the lessee has the option to purchase the asset of the lease between five to ten years after inception and the fixed price of the option is expected to be lower than the fair value at the date the option becomes exercisable;
- at the inception of the leases, the Group as lessee paid an advance to the lessor (the financial lease borrowing is presented net of this advance).

(in thousands of Euros)	Unaudited As at June 30, 2014 Carrying value	Unaudited As at June 30, 2014 Minimum lease payments	Audited As at September 30, 2013 Carrying value	Audited As at September 30, 2013 Minimum lease payments
Within 1 year	1 803	2 217	1 687	2 094
After 1 year, but not more than 5 years	27 114	28 068	28 480	29 745
More than 5 years	-		-	
	28 916	**30 284**	**30 167**	**31 839**
Less : future interest costs		(1 368)		(1 672)
	28 916	**28 916**	**30 167**	**30 167**
Of which is non current	27 113		28 480	
Of which is current	1 803		1 687	
	28 916		**30 167**	

Terms of loans and borrowings related to these finance leases are presented in Note 11 – Interest-bearing loans and borrowings.

Note 14 - Financial risk management objectives and policies

The Group is exposed to market risk, real estate risk, credit risk and liquidity risk.

The General Managers use the services of Inovalis for financial risk management.

The General Managers and Inovalis' debt management department oversee the management of these risks. As such, the debt management department is supported by an accounting department and certified accountants that advises on financial risks and the appropriate financial risk governance framework for the Group. The debt management department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies for risk. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The General Managers have reviewed and agreed to policies for managing each of these risks, which are summarized below.

Market risk

Given its level of debt, the Group is exposed to significant risks related to liquidity and changes in interest rates. The Group's counterparty risk in relation to its derivatives is not significant as the majority of its derivatives are set up with the lessors of the finance lease contracts.

Generally, interest rate is managed centrally for the Group as a whole by the Debt Management Department.

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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into optional instruments (purchase of cap and tunnel options) in order to limit exposure to changing interest rates.

As at June 30, 2014 interest caps and floors closely related to host finance lease contracts were out of the money.

Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also "Credit Risk" below). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Credit risk is managed by requiring tenants to pay rentals in advance. Following the receipt of a lease interest, the asset manager analyses the creditworthiness of the candidate based on the following documents, before going further in negotiations and lease signature:

- Certificate of incorporation
- Articles of association
- Copy of the three last financial statements

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions including the lessors of the investment properties is managed by the debt management department of the Group in accordance with Group policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counter party.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

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 Group's liquidity position is monitored on a regular basis by the treasury department and is reviewed quarterly by the General Managers. A summary table with maturity of financial assets and liabilities is used by key management personnel to manage liquidity risks and is derived from managerial reports at company level.

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

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

The amounts disclosed are the contractual undiscounted cash flows (excluding future interest costs on subordinated loans which are presented in a separate table below and future interest costs on finance lease liabilities which are presented in Note 13 – Finance lease liabilities). Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

(in thousands of Euros) **As at June 30, 2014 - Unaudited**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loan		20	63	666		749
Finance leases		436	1 367	27 113		28 916
Loans from related parties			3 734	5 122		8 856
Tenant deposits	5		54		459	518
Trade and other payables - Third & related parties			6 741			6 741
	5	**456**	**11 958**	**32 901**	**459**	**45 780**

(in thousands of Euros) **As at September 30, 2013 - Audited**	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loan		20	60	728		808
Finance leases		407	1 279	28 480		30 167
Loans from related parties			3 319	5 122		8 441
Tenant deposits			58	39	420	517
Trade and other payables - Third & related parties			6 336			6 336
	-	**427**	**11 052**	**34 369**	**420**	**46 268**

Liquidity management

These interim condensed combined financial statements have been prepared on a going concern basis.

Liquidity risk inherent to the financial structure of the businesses of both Aref Sablière and Aref Second Property 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.

In January 2012 the subordinated loans reimbursement have been postponed to May 17, 2015.

Aref Real Estate France, shareholder of Aref Sablière and Aref Second Property, has also confirmed it will not ask for the payment of interests due on the loan, neither ask for early payment of the loan due to the non-payment of the interests, until the end of September 2015. Inovalis also confirmed it will not ask for the payment of the fees due by Aref Sablière and Aref Second Property until the end of September 2015.

Fair value of assets and liabilities

Below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are carried in the financial statements.

(in thousands of Euros)	Carrying amount		Fair value	
	Unaudited	Audited	Unaudited	Audited
	As at June 30, 2014	As at September 30, 2013	As at June 30, 2014	As at September 30, 2013
Financial assets.........................				
Trade and other receivables	1 554	1 177	1 554	1 177
Other financial assets	37	37	37	37
Cash and cash equivalents	257	1 252	257	1 252
	1 848	**2 465**	**1 848**	**2 465**
Financial liabilities.....................				
Interest-bearing loan	749	808	749	808
Finance lease	28 916	30 167	28 530	29 247
Tenant deposits	518	517	518	517
Trade and other payables	786	1 281	786	1 281
	30 969	**32 772**	**30 583**	**31 853**

The fair values of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash and short-term deposits, trade and other receivables (except short-term loan with the mother company) and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of the short term loans with Aref Real Estate France corresponds to the nominal amount of the loans because interest rate is updated each year at market conditions.
- The fair value of floating rate borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortized transaction costs only if credit spread has not changed significantly. The fair values of the subordinated loans subscribed by ultimate shareholders in their capacity as lenders are considered to be their nominal values.
- The fair value of tenant deposits corresponds to the carrying amount because the latter is estimated by discounting the nominal amount received to the expected date of repayment based on prevailing market interest rates.

Fair value hierarchy

The following table shows an analysis of the fair values of financial instruments recognized in the balance sheet by level of the fair value hierarchy*:

(in thousands of Euros)	Level 1	Level 2	Level 3	Total Fair value
As at June 30, 2014				
Other financial assets	37			37
As at September 30, 2013				
Other financial assets	37			37

* Explanation of the fair value hierarchy:

- 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

Note 15 - Transactions with related parties

The Group's immediate parent company is "Aref Real Estate France", which owns 100% of Aref Sablière and Aref Second Property's shares. The following table provides the details of transactions that have been entered into with related parties for the relevant financial year:

(in thousands of Euros)

Related parties	Total	Amount due to Inovalis	Amount due to REALISTA (Subsidiary of Inovalis)	Amount due to INOPROM (Subsidiary of Inovalis)	Amount due to Adyal PM (Subsidiary of Inovalis)	Amount due to Adyal FM (Subsidiary of Inovalis)	Amount due to Aref Real Estate France
As at June 30, 2014 - Unaudited							
Fees	(1 474)	(488)	(64)	(1)	(58)	(862)	-
Interests	(434)						(434)
Trade and other receivables	911						911
Related parties - Interest-bearing loans	(8 855)						(8 855)
Trade and other payables	(5 663)	(3 612)	-	(9)	(44)	(25)	(1 973)

(in thousands of Euros)

Related parties	Total	Amount due to Inovalis	Amount due to REALISTA (Subsidiary of Inovalis)	Amount due to INOPROM (Subsidiary of Inovalis)	Amount due to Adyal PM (Subsidiary of Inovalis)	Amount due to Adyal FM (Subsidiary of Inovalis)	Amount due to Aref Real Estate France
As at September 30, 2013 - Audited							
Fees	(1 100)	(654)	(132)	(13)	(18)	(282)	-
Interests	(562)						(562)
Trade and other receivables	1 016						1 016
Related parties - Interest-bearing loans	(8 440)						(8 440)
Trade and other payables	(4 679)	(3 021)		(32)	(22)	(79)	(1 526)

Transactions with related parties are described hereafter:

- The financial terms and conditions of the comfort granted by Aref Real Estate France in its capacity as shareholder and lender are described in Note 14 – Financial risk management objectives and policies and in Note 11 – Interest bearing loans and borrowings and finance lease liabilities.
- The financial terms and conditions of the waivers granted by Inovalis are described in Note 14 – Financial risk management objectives and policies.

The Group did not record any impairment of receivables relating to amounts owed by related parties in any of these years. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Fees

Fees paid to Inovalis and Réalista / Adyal consist of strategic fees and property management fees. Inovalis is entitled to receive an annual remuneration calculated as 0.9% plus 0.1% of the value of the managed property (value at the date of inception of the agreement) in consideration of services rendered in its capacity as strategic counsel and property manager, respectively. Réalista / Adyal is entitled to an annual remuneration calculated as 0.2% of the value of the managed property (value at the date of inception of the agreement) plus an additional remuneration of 2% of all cash collection in its capacity as property manager.

Strategic fees are included in “Administration expenses” in the combined income statement, and related payables and receivables are recorded in “Trade and other payables” and in “Trade and other receivables” in the combined balance sheet. Strategic fee compensates for services which consist of preparing and updating annual budget and business plan to investors, making the settlements included in the annual budget and business plan and contracting with third parties.

Property management fees are included in “Other property operating expense” in the combined income statement, and related payables and receivables are recorded in “Trade and other payables” and in “Trade and other receivables” in the combined balance sheet.

Note 16 - Derivative financial instruments and hedging activities

Interest rates caps and floors embedded in finance lease contracts are as follows:

Building "Baldi"	**Floor**	**Cap**
From 09/30/2005 to 09/30/2009..	2,38%	4,50%
From 10/01/2009 to 09/30/2010..	2,38%	5,00%
From 10/01/2011 to 09/30/2012..	-	5,00%
From 10/01/2012 to 09/29/2017..	-	-

Building "Sabliére"	**Floor**	**Cap**
From 06/09/2005 to 06/30/2008..	2,10%	5,00%
From 07/01/2008 to 03/31/2010..	2,10%	5,50%
From 04/01/2010 to 06/30/2011..	-	5,50%
From 07/01/2011 to 06/30/2013..	-	6,00%
From 07/01/2013 to 06/08/2017..	-	-

These embedded derivatives are not separated from finance lease contracts because they are closely related to host instruments.

Note 17 - Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Note 18 - Subsequent Events

On October 17, 2014 Aref Sablière and Aref Second Property have each entered into a bilateral promise of sale of the finance lease contracts including tenants’ portfolio to subsidiaries of the REIT. On the basis of these agreements, which are part of a global negotiation with the REIT, the outstanding debts of the finance lease contracts are sold at their nominal values and the deemed sale price of the investment properties amounts to € 36,830 thousand which is € 8,080 thousand below the fair value of the investment properties presented on the combined balance sheet. This € 8,080 thousand difference would generate a decrease of € 1,907 thousand on the deferred tax liability presented on the combined balance sheet.

The realization of the sales is subject to the following conditions:

- Obtaining of a formal agreement from the lessor authorizing the sales no later than November 30, 2014
- Inovalis Real Estate Investment Trust to raise funds for a minimum of CAD 35 million

CERTIFICATE OF THE REIT AND THE PROMOTER

Dated: October 30, 2014

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

INOVALIS REAL ESTATE INVESTMENT TRUST

(signed) DAVID GIRAUD Chief Executive Officer	(signed) ANTOINE TRONQUOY Chief Financial Officer

On behalf of the Board of Trustees

(signed) STÉPHANE AMINE Trustee	(signed) DANIEL ARGIROS Trustee

INOVALIS S.A.
(as Promoter)

(signed) STÉPHANE AMINE
Chairman

CERTIFICATE OF THE UNDERWRITERS

Dated: October 30, 2014

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

DESJARDINS SECURITIES INC.	GMP SECURITIES L.P.	NATIONAL BANK FINANCIAL INC.
(signed) MARK EDWARDS	(Signed) ANDREW KIGUEL	(signed) GLEN HIRSH

BMO NESBITT BURNS INC.

(signed) ONORIO LUCCHESE

DUNDEE SECURITIES LIMITED

(signed) BRAD CUTSEY

LAURENTIAN BANK SECURITIES INC.	MANULIFE SECURITIES INCORPORATED
(signed) TYLER WIRVIN	(signed) DAVID MACLEOD
BURGEONVEST BICK SECURITIES LIMITED	MACKIE RESEARCH CAPITAL CORPORATION
(signed) VILMA JONES	(signed) DAVID KEATING
ALL GROUP FINANCIAL SERVICES INC.	M PARTNERS INC.
(signed) JAMES MOON	(signed) STEVE ISENBERG