NOTICE TO READERS

Amendment and Restatement of the Condensed Interim Consolidated Financial Statements

August 12, 2022

Subsequent to the issuance of the unaudited Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2022 and 2021, the REIT identified a reclassification that required the restatement of amounts within the REIT's Interim Balance Sheet as at March 31, 2022. Users of the REIT's financial statements should note that the adjustments do not change the REIT's total assets, liabilities or equity, and do not impact any of the REIT's other statements.

The condensed interim consolidated financial statements as at March 31, 2022 and for the three months ended March 31, 2022 have been restated to recognize a change in the classification of a portion of two of the REIT's mortgage loans from non-current liabilities to current liabilities for an amount of $23M. This reclassification is necessary due to the year-end debt service covenant ratio not being met on the mortgage loans as at March 31, 2022, thus resulting in a breach of loan covenants for both mortgage loans, allowing the lenders to call the principal outstanding on demand.

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

Full details of the numerical amendments can be found in Note 23 of the Restated Unaudited Condensed Interim Consolidated Financial Statements, while additional context can be found in the "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting" section of the restated Q1 2022 MD&A.

INOVALIS REAL ESTATE INVESTMENT TRUST
AMENDED AND RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022

(Unaudited)

Disclosure of non-review of restated condensed interim consolidated financial statements for the quarters ended March 31, 2022 and 2021

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying restated unaudited condensed interim consolidated financial statements of the REIT for the quarters ended March 31, 2022 and 2021 have been prepared in accordance with International Accounting Standard 34, Interim Financial reporting, and are the responsibility of the REIT's management.

The REIT's external auditors, Ernst & Young LLP, have not performed a review of these restated condensed interim consolidated financial statements in accordance with the standards established by Chartered Professional Accountants Canada for a review of the financial statements by the external auditors of an entity.

Inovalis Real Estate Investment Trust
Restated Interim Consolidated Balance Sheets
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

Assets	Note	As at March 31, 2022 restated (Note 23)	As at December 31, 2021 restated (Note 23)
Non-current assets			
Investment properties	*5*	**513,697**	427,631
Investments in joint ventures	*7*	**61,668**	64,327
Derivative financial instruments	*20*	**490**	-
Restricted cash		**5,050**	4,964
Total non-current assets		**580,905**	**496,922**
Current assets			
Trade receivables and other financial assets	*8*	**11,865**	9,368
Derivative financial instruments	*20*	**779**	845
Other current assets		**4,527**	3,431
Restricted cash		**121**	52
Cash		**15,486**	76,627
Total current assets		**32,778**	**90,323**
Total assets		**613,683**	**587,245**

Liabilities and equity	Note	As at March 31, 2022 restated (Note 23)	As at December 31, 2021 restated (Note 23)
Liabilities			
Non-current liabilities			
Interest-bearing loan		**322**	334
Mortgage loans	*9*	**97,248**	48,662
Lease liabilities	*9*	**102,028**	106,351
Tenant deposits		**2,084**	1,172
Derivative financial instruments	*20*	**-**	366
Deferred tax liabilities		**4,943**	4,941
Total non-current liabilities		**206,625**	**161,826**
Current liabilities			
Interest-bearing loan		**23**	24
Mortgage loans	*9*	**42,347**	44,046
Lease liabilities	*9*	**6,122**	7,700
Tenant deposits		**241**	277
Derivative financial instruments	*20*	**387**	853
Exchangeable securities	*10*	**8,724**	9,015
Trade and other payables	*11*	**17,024**	11,248
Income tax payable		**2,167**	2,167
Deferred income		**381**	4,004
Total current liabilities		**77,416**	**79,334**
Total liabilities		**284,041**	**241,160**
Equity			
Trust units	*16*	**288,752**	288,752
Retained earnings		**42,352**	46,979
Accumulated other comprehensive (loss) income	*17*	**(2,754)**	9,055
Total unitholders' equity		**328,350**	**344,786**
Non-controlling interest		**1,292**	1,299
Total equity		**329,642**	**346,085**
Total liabilities and equity		**613,683**	**587,245**

The accompanying notes are an integral part of these restated condensed interim consolidated financial statements.

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

Jean-Daniel Cohen
Chairman and Trustee

Robert Waxman
Audit Chair and Trustee

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Earnings
For the three months ended March 31,
(Unaudited)

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

	Note	2022	2021
Rental revenue	*12*	**5 201**	7 420
Property operating cost recoveries	*12*	**1 247**	2 041
Property operating costs	*13*	**(4 584)**	(4 882)
Other revenues		**39**	67
Other property operating expenses		**(30)**	(208)
Net rental income		**1 873**	**4 438**
General and administrative expenses	*13*	**(1 868)**	(2 461)
Foreign exchange loss		**(980)**	(886)
Share of net income from joint ventures	*7*	**325**	429
Operating (loss) earnings		**(650)**	**1 520**
Net change in fair value of Investment properties	*5*	**2 131**	1 710
Net change in fair value of Financial derivatives		**799**	2 834
Net change in fair value of Exchangeable securities	*10*	**291**	(679)
Finance income	*14*	**1 168**	880
Finance costs	*14*	**(1 174)**	(1 705)
Distributions on Exchangeable securities	*10*	**(194)**	(230)
Income before income taxes		**2 371**	**4 330**
Current income tax expense		**(43)**	(177)
Deferred income tax (expense) recovery		**(192)**	55
Total income tax expense		**(235)**	**(122)**
Net income		**2 136**	**4 208**
Net income attributable to:			
Non-controlling interest		**42**	43
Unitholders of the Trust		**2 094**	4 165
		2 136	**4 208**

The accompanying notes are an integral part of these restated condensed interim consolidated financial statements.

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Comprehensive Income
For the three months ended March 31,
(Unaudited)

(All dollar amounts in thousands of Canadian dollars)

	Note	2022	2021
Net income for the period		**2 136**	4 208
Other comprehensive loss			
Items that may be reclassified subsequently to income:			
Net gains (losses) on derivatives designated as a hedge of the net investment in a foreign entity		**495**	(190)
Change in cumulative translation adjustment account		**(12 248)**	(19 610)
Other comprehensive loss		**(11 753)**	**(19 800)**
Total comprehensive loss		**(9 617)**	**(15 592)**
Total comprehensive income (loss) attributable to:			
Non-controlling interest		**98**	(124)
Unitholders of the Trust		**(9 715)**	(15 468)
Total comprehensive loss		**(9 617)**	**(15 592)**

The accompanying notes are an integral part of these restated condensed interim consolidated financial statements.

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Changes in Equity
For the three months ended March 31,
(Unaudited)

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

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings	Accumulated other comprehensive income	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2020		32 400 585	286 975	53 350	34 913	375 238	1 423	376 661
Distributions earned by or declared to Unitholders		-	-	(6 683)	-	(6 683)	-	(6 683)
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	91	91
		-	-	(6 683)	-	(6 683)	91	(6 592)
Net income for the three months		-	-	4 165	-	4 165	43	4 208
Other comprehensive loss		-	-	-	(19 633)	(19 633)	(167)	(19 800)
Comprehensive income (loss)		-	-	4 165	(19 633)	(15 468)	(124)	(15 592)
As at March 31, 2021		**32 400 585**	**286 975**	**50 832**	**15 280**	**353 087**	**1 390**	**354 477**
As at December 31, 2021		**32 587 809**	**288 752**	**46 979**	**9 055**	**344 786**	**1 299**	**346 085**
Distributions earned by or declared to Unitholders	*15*	**-**	**-**	**(6 721)**	**-**	**(6 721)**	**-**	**(6 721)**
Foreign exchange impact on Non-controlling interest		**-**	**-**	**-**	**-**	**-**	**(105)**	**(105)**
		-	**-**	**(6 721)**	**-**	**(6 721)**	**(105)**	**(6 826)**
Net income for the three months		**-**	**-**	**2 094**	**-**	**2 094**	**42**	**2 136**
Other comprehensive (loss) income		**-**	**-**	**-**	**(11 809)**	**(11 809)**	**56**	**(11 753)**
Comprehensive income (loss)		**-**	**-**	**2 094**	**(11 809)**	**(9 715)**	**98**	**(9 617)**
As at March 31, 2022	*17*	**32 587 809**	**288 752**	**42 352**	**(2 754)**	**328 350**	**1 292**	**329 642**

The accompanying notes are an integral part of these restated condensed interim consolidated financial statements.

Inovalis Real Estate Investment Trust
Interim Consolidated Statements of Cash Flows
For the three months ended March 31,
(Unaudited)
(All dollar amounts in thousands of Canadian dollars)

	Note	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Operating activities			
Income before income taxes		**2 371**	4 330
Interest received		**626**	652
Interest paid		**(1 174)**	(1 877)
Income tax paid		**-**	(27)
Distributions in respect of exchangeable securities paid in cash	*10*	**(199)**	(237)
Adjustments for non-cash items and other reconciling items	*21*	**(2 063)**	(2 007)
		(439)	**834**
Working capital adjustments	*21*	**728**	1 685
Net cash flows related to operating activities		**289**	**2 519**
Investing activities			
Additions to investment properties and capitalized letting fees	*5*	**(61)**	(160)
Acquisitions of investment property - Gaia	*5*	**(56 678)**	-
Acquisitions of investment property - Delgado	*5*	**(43 154)**	-
Additional loan advances to joint ventures	*7*	**-**	(229)
Loan repayments received from joint ventures	*7*	**583**	640
Net increase in restricted cash		**(279)**	-
Net cash flows related to investing activities		**(99 589)**	**251**
Financing activities			
Distributions to unitholders	*15*	**(6 721)**	(6 682)
Issuance of mortgage loans	*21*	**51 197**	-
Repayment of mortgage loans	*21*	**(1 046)**	(1 081)
Repayment of lease liabilities	*21*	**(1 685)**	(1 650)
Repayment of interest bearing loan		**(13)**	(45)
Repayment of lease equalization loans		**-**	(185)
Net cash flows related to financing activities		**41 732**	**(9 643)**
Net decrease in cash		**(57 568)**	**(6 873)**
Effects of foreign exchange adjustments on cash		**(3 573)**	(3 971)
Cash at the beginning of the period		**76 627**	**80 376**
Cash at the end of the period		**15 486**	**69 532**

The accompanying notes are an integral part of these restated condensed interim consolidated financial statements.

Note 1 – Organization

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

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

The REIT's amended and restated condensed interim consolidated financial statements as at and for the three months ended March 31, 2022, were authorized for issuance by the Board of Trustees on August 12, 2022.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France, Germany, and Spain to manage certain functions. Refer to Note 1 of the restated audited 2021 annual consolidated financial statements for more information about the relationship between Inovalis SA and the REIT, and to Note 19 in these restated condensed interim consolidated financial statements, for information regarding the services provided by Inovalis SA to the REIT.

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

Note 2 – Basis of presentation and statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), and thus do not contain all of the disclosures applicable to the restated audited 2021 annual consolidated financial statements.

These condensed interim consolidated financial statements use the same accounting policies and methods of their application as the REIT's most recent annual consolidated financial statements and should be read in conjunction with the audited 2021 annual consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

Changes to basis of consolidation

Changes to details of the REIT's subsidiaries from December 31, 2021 to March 31, 2022 are as follows:

Name of Subsidiary	Principal Activity	Property Name	Country of Incorporation and Residence[1]	Proportion of Ownership Interest and Voting Power Held - March 31, 2022	Proportion of Ownership Interest and Voting Power Held - December 31, 2021
Walpur Four SAS ("Walpur")[1]	Investment property holding	Bad Homburg Property	Luxembourg	**100% held by CCEU**	**100% held by CCEU**
SCI Gaia Nanterre ("Gaia")	Investment property holding	Gaia Property	France	**99.99% held by INOPCI 1**	**N/A**
Cancorp Vegacinco SLU ("Vegacinco")	Investment property holding	Delgado Property	Spain	**100% held by CCEU**	**N/A**

(1) *On March 17, 2022, Walpur changed its legal status from a French Company to a Limited Company (Societe Anonyme) under the laws of Luxembourg and transferred its country of residence from France to Luxembourg. There was no impact to any balances within the Walpur entity or the REIT as a result of the transfer and the original legal personality of the company was maintained with full continuity of the existing assets and liabilities.*

Note 3 – Recent accounting pronouncements adopted

Reference to the Conceptual Framework – Amendments to IFRS 3 – Business Combinations ("IFRS 3")

In May 2020, the IASB published Reference to the Conceptual Framework – Amendments to IFRS 3. The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018. The amendments also add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37") or IFRIC 21 – Levies ("IFRIC 21"), if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. Finally, the amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as it did not enter into any business combinations that would be impacted by the amendments during the three-months ended March 31, 2022.

IFRS 9 – Financial Instruments ("IFRS 9") – Fees in the "10 percent test" for derecognition of financial liabilities

In May 2020, the International Accounting Standards Board (Board) issued an amendment to IFRS 9 as part of Annual Improvements to IFRS Standards 2018–2020. The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018.The amendment also clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

These amendments had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as it did not apply the "10 percent test" to any new or modified financial liabilities during the three-months ended March 31, 2022.

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

In April 2022, the IASB finalized an agenda decision relating to IAS 7. The agenda decision clarified the presentation of demand deposits in an entity's Statement of Financial Position and Statement of Cash Flows. The IFRS Interpretations Committee noted that in the situation in which an entity has limits and restrictions imposed by third parties on its demand deposits, as long as the entity has immediate access to the demand deposits, the amounts should be classified as cash rather than restricted cash.

This amendment had no impact on the Condensed Interim Consolidated Financial Statements of the REIT, as all prior classifications of demand deposits were in line with the updated agenda decision.

Note 4 – Critical accounting judgments and estimates

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the REIT's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2021.

Note 5 – Investment properties

Reconciliations of the carrying amounts of investment properties at the beginning and end of the current financial period are as follow:

	For the three months ended March 31, 2022	For the year ended December 31, 2021
Balance, beginning of period	**427 631**	**541 218**
Capex	**48**	1 403
Acquisition of Delgado investment property (including acquisition costs)	**43 154**	-
Acquisition of Gaia investment property (including acquisition costs)	**56 678**	-
Disposition of Jeuneurs investment property held by Jeuneurs SCI	**-**	(103 173)
Change in capitalized letting fees	**13**	(445)
Rent free periods	**(303)**	(7)
Net change in fair value of investment properties	**2 131**	29 419
Foreign currency translation adjustment	**(15 655)**	(40 784)
Balance, end of period	**513 697**	**427 631**

All of the REIT's investment properties with a fair value of $513,697 (2021 - $427,631) are pledged as security for an amount of $247,745 (2021 - $206,756) in mortgage loans and lease liabilities.

Appraisal capitalization and discount rates

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

Under the DC method, the cash generated during the term of the lease as well as the cash generated at reversion, are capitalized using the same capitalization rate. The capitalization rates are determined based on recent real estate transactions with similar characteristics and location to those of the REIT assets.

Emergency measures enacted by governments in response to the COVID-19 pandemic, including travel restrictions, physical distancing, and temporary closure of non-essential businesses have created estimation uncertainty in the determination of the fair market value of investment properties as March 31, 2022. The REIT has made assumptions with respect to the duration and severity of these emergency measures as well as the duration of the subsequent economic recovery in estimating the amount and timing of the cash flows generated from investment properties and used in determination of fair value of the investment properties as at March 31, 2022.

The REIT's investment properties were last appraised by an external valuator as at December 31, 2021. The adjusted market-value and stabilized capitalization rates by country are set out in the following table:

	As at March 31, 2022				As at December 31, 2021			
	France	Germany	Spain	Total	France	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes								
Market value (in Euros) as estimated by external appraisers	**275 134**	**67 774**	**30 429**	**373 337**	231 896	67 699	-	299 595
Option costs	**(2 249)**	**-**	**-**	**(2 249)**	(2 221)	-	-	(2 221)
Adjusted market value in Euros	**272 885**	**67 774**	**30 429**	**371 088**	**229 675**	**67 699**	-	**297 374**
Exchange adjustment	**104 870**	**26 045**	**11 694**	**142 609**	100 603	29 654	-	130 257
Adjusted market value in CAD$	**377 755**	**93 819**	**42 123**	**513 697**	**330 278**	**97 353**	-	**427 631**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**	**Direct Capitalization Method**		Direct Capitalization Method	Direct Capitalization Method	Direct Capitalization Method	
Capitalization rate	**4.20% to 7.00%**	**5.00% to 5.50%**	**4.69%**		4.20% to 7.00%	5.00% to 5.00%	-	
Terminal capitalization rate	**5.37%**	**5.00%**	**5.75%**		5.37%	5.00%	-	
Impact on the fair value of investment properties of :								
an increase of 25 bps on the cap rate	**(16 710)**	**(4 338)**	**(2 132)**	**(23 180)**	(14 687)	(4 501)	-	(19 188)
a decrease of 25 bps on the cap rate	**18 389**	**4 781**	**2 372**	**25 542**	16 179	4 961	-	21 140

Right-of-use asset

The REIT leases various investment properties with a carrying amount of $225,869 (December 31, 2021 – $232,351) under leases which begin to expire in approximately 5 years (2021: 6 years).

Note 6 – Acquisitions of investment properties

Gaia property

On January 11, 2022, the REIT, through its 100% owned subsidiary, INOPCI 1, finalized the registration and incorporation of a new entity, Gaia, to use to hold an office building it planned to purchase in a suburb of Paris, France. Gaia is owned 99.99% by INOPCI 1 and 0.01% by Inovalis SA, the asset manager of the REIT.

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

The REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired are substantially concentrated in the Gaia Property, the transaction has been classified as an asset acquisition. No goodwill or deferred tax were recognized on the asset acquisition.

Purchase price allocation	**(in 000's of €)**	**(in 000's of $)**
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Investment property	41 211	56 678
Other assets	65	89
Total assets acquired	**41 276**	**56 767**
Deferred rent	(593)	(816)
Total liabilities assumed	**(593)**	**(816)**
Net assets acquired	**40 683**	**55 951**
Consideration transferred by the REIT for the acquisition consists of the following:		
Cash	39 439	54 239
Acquisition costs	3 720	5 118
Less: Rental guarantee received from the seller	(2 476)	(3 406)
Total consideration transferred	**40 683**	**55 951**

Delgado property

On March 21, 2022, the REIT, through its 88.15% held subsidiary, CCEU, acquired a new entity, Vegacinco, to use to hold an office building it planned to purchase in Alcobendas, north of Madrid, Spain. CCEU acquired a 100% interest in Vegacinco for a total price of €4 ($5). Vegacinco was an empty shell company at the time of purchase.

On March 31, 2022, the REIT entered into a deed of sale to purchase the office building ("the Delgado Property"). The REIT obtained ownership of the Delgado Property and any related working capital items for total consideration of €31,207 ($43,198), which includes transaction costs of €1,781 ($2,467). The transaction was financed using a bank loan of €16,225 ($22,474) as well as excess cash from the sale of the Jeuneurs property, which took place in Q4 of 2021.

The REIT has elected to apply the "concentration test" in accordance with IFRS 3. As the fair value of the gross assets acquired is substantially concentrated in the Delgado Property, the transaction has been qualified as an asset acquisition. No goodwill or deferred tax were recognized on the asset acquisition.

Note 6 – Acquisitions of investment properties (Cont'd)

Delgado property (Cont'd)

Purchase price allocation	(in 000's of €)	(in 000's of $)
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Investment property	31 175	43 154
Other assets	32	44
Total assets acquired	**31 207**	**43 198**
Net asset acquired	**31 207**	**43 198**
Consideration transferred by the REIT for the acquisition consists of the following:		
Cash	29 426	40 731
Acquisition costs	1 781	2 467
Total consideration transferred	**31 207**	**43 198**

Note 7 – Investments in joint ventures

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

	CCD	Cologne	Stuttgart	Delizy	Neu Isenburg	Kosching	SCCV	Total
Balance -December 31, 2020	22 853	1 067	17 950	8 383	13 134	10 798	1 802	75 987
Distributions declared	-	-	-	-	-	-	(1 715)	(1 715)
Additional investment for the year	-	-	-	941	-	-	-	941
Share of net income (loss) from investments [1]	3 065	-	(1 975)	(1 067)	(81)	732	2	676
Impairment of loans to joint ventures[2]	-	-	-	(2 738)	-	-	-	(2 738)
Repayment on loans to joint ventures	-	-	(759)	-	(708)	(693)	-	(2 160)
Disposals of interests in joint ventures	-	(1 017)	-	-	-	-	(5)	(1 022)
Exchange differences	(1 818)	(50)	(1 274)	(631)	(968)	(817)	(84)	(5 642)
Balance - December 31, 2021	**24 100**	**-**	**13 942**	**4 888**	**11 377**	**10 020**	**-**	**64 327**
Share of net income (loss) from investments [1]	**231**	**-**	**169**	**(233)**	**216**	**169**	**-**	**552**
Impairment of loans to joint ventures[2]	**-**	**-**	**-**	**(227)**	**-**	**-**	**-**	**(227)**
Repayment on loans to joint ventures	**-**	**-**	**(213)**	**-**	**(199)**	**(171)**	**-**	**(583)**
Exchange differences	**(906)**	**-**	**(519)**	**(177)**	**(425)**	**(374)**	**-**	**(2 401)**
Balance - March 31, 2022	**23 425**	**-**	**13 379**	**4 251**	**10 969**	**9 644**	**-**	**61 668**

(1) The share of net income (loss) from investments includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to $779 (2021 - $880) and are included in "Finance income" (see note 14).

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

The balance of investments in joint ventures as at March 31, 2022 includes loans to joint ventures for an amount of $32,014 which is detailed as follows:

Loans to joint ventures	CCD	Stuttgart	Delizy	Neu Isenburg	Kosching	Total
Gross Balance - March 31, 2022	14 388	9 378	9 584	993	534	34 877
Less: Cumulative ECL	-	-	(2 863)	-	-	(2 863)
Net Balance - March 31, 2022	**14 388**	**9 378**	**6 721**	**993**	**534**	**32 014**
Gross Balance - December 31, 2021	14 946	9 957	9 956	1 234	728	36 821
Less: Cumulative ECL	-	-	(2 738)	-	-	(2 738)
Net Balance - December 31, 2021	**14 946**	**9 957**	**7 218**	**1 234**	**728**	**34 083**

Note 7 – Investments in joint ventures (Cont'd)

2022

Repayments on loans to joint ventures

During the period-ended March 31, 2022, loan repayments of €150 ($213), €140 ($199) and €120 ($171) occurred respectively for Stuttgart, Neu-Isenburg and Kosching.

Note 8 – Trade and other receivables

	Note	As at March 31, 2022	As at December 31, 2021
Trade receivables		**2 830**	2 088
Provision for impairment of trade receivables		**(557)**	(579)
Trade receivables		**2 273**	**1 509**
Other receivables		**6 667**	5 449
Other receivables - Inovalis SA	19	**206**	233
Interest receivable - Joint ventures - current	19	**2 719**	2 177
Other current financial assets		**9 592**	**7 859**
Total trade receivables and other financial assets		**11 865**	**9 368**

Note 9 – Mortgage loans and lease liabilities

Mortgage loans and lease liabilities consist of the following:

			As at March 31, 2022 restated (Note 23)		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Veronese SCI	Euribor 3M + 1.90%	3/21/31	9,936	-	9,936
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	6/23/26	15,143	-	15,143
Mortgage loan - Cancorp Trio	1.56%	3/15/24	41,644	41,212	432
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	10/26/27	6,144	5,347	797
Mortgage loan - Walpur Four	1.45%	3/31/23	15,365	-	15,365
Mortgage loan - Gaia Nanterre SCI	1.91%	3/31/27	29,352	29,352	-
Mortgage loan - Cancorp Vegacinco	1.99%	3/31/27	22,011	21,337	674
Mortgage loans			**139,595**	**97,248**	**42,347**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	7/08/27	54,066	49,798	4,268
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	3/18/31	54,084	52,230	1,854
Lease liabilities			**108,150**	**102,028**	**6,122**
Total mortgage loans and lease liabilities			**247,745**	**199,276**	**48,469**

Note 9 – Mortgage loans and lease liabilities (Cont'd)

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

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

	As at March 31, 2022 restated (Note 23)		As at December 31, 2021 restated (Note 23)	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**42,347**	**44,141**	44,046	44,838
After 1 year, but not more than 5 years	**95,525**	**101,836**	46,631	47,573
More than 5 years	**1,723**	**1,817**	2,031	2,147
	139,595	**147,794**	**92,708**	**94,558**
Less : future interest costs	-	**(8,199)**	-	(1,850)
Total mortgage loans	**139,595**	**139,595**	**92,708**	**92,708**

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

	As at March 31, 2022		As at December 31, 2021	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**6,122**	**7,989**	7,700	9,646
After 1 year, but not more than 5 years	**25,497**	**32,103**	25,792	32,678
More than 5 years	**76,531**	**80,252**	80,559	84,767
	108,150	**120,344**	**114,051**	**127,091**
Less : future interest costs	-	**(12,194)**	-	(13,040)
Total lease liabilities	**108,150**	**108,150**	**114,051**	**114,051**

Note 9 – Mortgage loans and lease liabilities (Cont'd)

Loan covenant breaches

As at March 31, 2022, the REIT is in breach of certain covenants on two of its mortgage loans with third-party lenders, as follows:

Sabliere SCI

The REIT is in breach of the debt service coverage ratio ("DSCR") covenant on the mortgage loan within Sabliere SCI as at March 31, 2022 and December 31, 2021. The requirement to maintain a DSCR greater than 120% is in breach as a result of planned developments and related refinancing of such developments within the entity. The entire carrying amount of the loan has been classified as a current liability due to the lender's right to repayment upon breach of the covenant. The REIT is in communication with the lender to obtain a waiver and remediate the breach.

Veronese SCI

The REIT is in breach of the DSCR covenant on the mortgage loan within Veronese SCI as at March 31, 2022 and December 31, 2021. The requirement to maintain a DSCR greater than 110% is in breach as a result of planned tenant vacancies required to execute the promise to sell signed on the property within this entity. The entire carrying amount of the loan has been reclassified as a current liability due to the lender's right to repayment upon breach of the covenant. The REIT is in communication with the lender to obtain a waiver and remediate the breach.

Walpur Four – Loan extension

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

The REIT has applied extinguishment accounting to account for the changes to the mortgage loan. A loss on extinguishment of mortgage loan of €38 ($54) has been recorded as part of 'Other finance costs' (see note 14).

Gaia – Loan origination

On March 28, 2022, to assist with financing the purchase of the Gaia Property, the REIT entered into a mortgage loan with DZ HYP AG for a total principal amount of €22,000 ($30,265). Transaction costs of €797 ($1,096) have been deducted against the loan principal and will be amortized over the life of the loan using the effective interest method.

Delgado – Loan origination

On March 31, 2022, to assist with financing the purchase of the Delgado Property, the REIT entered into a mortgage loan with Targobank S.A. for a total principal amount of €16,225 ($22,474). Transaction costs of €325 ($450) have been deducted against the loan principal and will be amortized over the life of the loan using the effective interest method.

Note 10 – Exchangeable securities

	Exchangeable securities	
Exchangeable securities issued and outstanding	**Number of Exchangeable securities**	**Carrying amount of Exchangeable securities**
Balance - December 31, 2020	**1 113 663**	**9 945**
Conversion of exchangeable securities into units of the REIT	(175 627)	(1 665)
Net change in fair value of exchangeable securities	-	735
Balance - December 31, 2021	**938 036**	**9 015**
Net change in fair value of exchangeable securities	**-**	**(291)**
Balance - March 31, 2022	**938 036**	**8 724**

Note 10 – Exchangeable securities (Cont'd)

Distribution in respect of Exchangeable Securities:

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

The following table breaks down distribution payments for distributions on exchangeable securities:

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Amount payable at the beginning of the period	**265**	265
Declared and recognized in earnings during the period	**194**	230
Distribution on exchangeable securities paid in cash during the period	**(199)**	(237)
Amount payable at the end of the period	**260**	**258**

Note 11 – Trade and other payables

	Note	As at March 31, 2022	As at December 31, 2021
Trade payables		**9 103**	6 806
Trade payables - Transaction costs for acquisitions	*6*	**2 701**	-
Trade payables - Inovalis SA	*19*	**576**	-
Trade payables		**12 380**	**6 806**
Other payables		**280**	399
Other payables - Joint ventures	*19*	**549**	505
Distributions payable	*15*	**2 240**	2 240
Distributions payable - Inovalis SA	*19*	**260**	249
VAT payable		**1 315**	1 049
Other payables		**4 644**	**4 442**
Total trade and other payables		**17 024**	**11 248**

Note 12 – Revenue from investment properties

Revenue from investment properties consists of the following:

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Regular rents	**5 483**	7 226
Amortization of (lease incentives) rent free periods	**(282)**	194
Rental income	**5 201**	7 420
Property operating cost recoveries	**1 247**	2 041
Total revenue	**6 448**	**9 461**

Note 12 – Revenue from investment properties (Cont'd)

The property operating cost recoveries were as follows:

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Taxes	**474**	634
Insurance	**79**	111
Property management fees	**218**	316
Utilities and other cost recoveries	**476**	980
Property operating cost recoveries	**1 247**	**2 041**

Note 13 – Expenses

Property operating costs consist of the following:

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Property tax expense	**(3 271)**	(2 995)
Insurance	**(94)**	(131)
Property management fees	**(226)**	(333)
Utilities	**(993)**	(1 423)
Total property operating costs	**(4 584)**	**(4 882)**

In accordance with IFRIC 21, the REIT recognizes the full amount of annual property tax liabilities at the point in time when the realty tax obligation is imposed. For the three months ended March 31, 2022, the amount recognized is $2,507 (2021 - $2,236).

General and administrative expenses consist of the following:

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Asset management fees	**(496)**	(739)
Less : amount invoiced to joint ventures	**282**	304
	(214)	(435)
Professional fees for accounting, tax and audit	**(708)**	(981)
Legal expenses	**(319)**	(610)
Trustee fees	**(63)**	(227)
Travel expenses	**(144)**	(3)
Bank expenses	**(91)**	(22)
Other general and administrative expenses	**(329)**	(183)
Total general and admnsitrative expenses	**(1 868)**	**(2 461)**

Note 14 – Finance costs and finance income

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Interest costs related to mortgage loans	**(417)**	(883)
Interest costs related to lease liabilities	**(421)**	(537)
Interest costs related to lease equalization loans	-	(10)
	(838)	**(1 430)**
Interest SWAP & CAP	**(252)**	(158)
Other finance costs	**(72)**	(92)
	(1 162)	**(1 680)**
Amortization of transaction costs on mortgage loans	**(12)**	(25)
Finance costs	**(1 174)**	**(1 705)**
Finance income from joint venture loans	**779**	880
Other finance income	**389**	-
Finance income	**1 168**	**880**

Note 15 – Distributions

	Note	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Amount payable at the beginning of the period		**2 240**	2 227
Declared and recognised during the period		**6 721**	6 683
Paid in cash during the period		**(6 721)**	(6 682)
Amount payable at the end of the period	*11*	**2 240**	**2 228**

The amount of distributions payable is included in “Trade and Other Payables”.

Note 16 – Trust units

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

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

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 10 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at March 31, 2022, 938,036 Special Voting Units were issued and outstanding (December 31, 2021 – 938,036).

Note 16 – Trust units (Cont'd)

The reinstatement of the Dividend Reinvestment Plan ("DRIP") has been approved by the Board of Trustees of the REIT. The commencement of the DRIP will be effective with the April 2022 distribution for Unitholders of record on April 29, 2022. Unitholders that were enrolled in the DRIP at the time of its suspension at April 30, 2020 and have not subsequently withdrawn will automatically resume participation in the DRIP. The DRIP allows eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT's election, will be issue from treasury or purchased on the open market. If the REIT elects to issue units from treasury, such units will be purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the relevant dividend payment date. The REIT may, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.

Normal course issuer bid

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

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

On March 23, 2021, the Board of Trustees approved the termination of the NCIB, effective April 2021.

Note 17 – Accumulated other comprehensive income

	As at March 31, 2022	As at December 31, 2021
Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities	**2 291**	1 796
Cumulative translation adjustment account	**(5 045)**	7 259
Accumulated other comprehensive (loss) income	**(2 754)**	**9 055**

Note 18 - Unit-based compensation plan

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

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

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

Note 18 - Unit-based compensation plan (Cont'd)

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

	As at March 31, 2022	As at December 31, 2021
Outstanding at beginning of the period	**20 250**	48 850
Granted DU	**-**	10 294
Elected DU	**678**	-
Cancelled DU	**-**	(6 166)
Exercised	**-**	(33 900)
ADUs earned	**20**	1 172
Outstanding at end of the period	**20 948**	**20 250**

As of March 31, 2022, 20,948 DSUs are outstanding and 179,052 DSUs are available for grant under the DSU Plan. There were nil DSUs exercised during the three months ended March 31, 2022, which resulted in no change to the DSU plan liability.

For the three months ended March 31, 2022, the REIT recorded an expense of $8 and an increase to the liability for the same amount. The total liability related to the DSU plan as of March 31, 2022 was $118 ($110 in December 31, 2021) and was included in Trade and other payables.

Note 19 – Transactions with related parties

Inovalis SA – Asset manager

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

Unless otherwise stated, none of these transactions incorporated special terms and conditions. The amended management agreement allows for the management fees to be settled quarterly through the issuance of either exchangeable securities or in cash. During the three months ended March 31, 2022, the management fees were settled fully in cash.

Inovalis and its subsidiaries	Financial statement line item	Note	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Expenses				
Asset management fees	Administration expenses	*A*	**(214)**	(435)
Facilities management fees	Service charge expenses		**(61)**	(43)
Property management fees	Service charge expenses	*B*	**(226)**	(360)
Letting fees invoiced	Service charge expenses		**(54)**	-
less portion accounted for over the lease term	Service charge expenses		**53**	-
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**(194)**	(230)
Interest expense on lease equalization loans	Finance costs		**-**	(10)
Reimbursment of travel expenses	Administration expenses		**(144)**	(3)
Trustee fees	Administration expenses		**(63)**	(227)
			(903)	**(1 308)**

(A) *Asset management fees of $496 and $739 as at March 31, 2022, and March 31, 2021 respectively, correspond to the asset management fees earned for the entire portfolio, including $282 and $304 attributable to assets held through joint ventures. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.*

(B) *An annual property management fee in an amount between 3.0% and 3.5% of the gross revenue of the properties, approximately 90% of which is rebilled to tenants.*

Note 19 – Transactions with related parties (Cont'd)

Inovalis and its subsidiaries	Note	Due from (to) Inovalis SA As at March 31, 2022	As at December 31, 2021
Assets			
Trade and other receivables		**206**	233
		206	**233**
Liabilities			
Interest-bearing loan		**345**	358
Distributions payable	*10*	**260**	249
Exchangeable securities	*10*	**8 724**	9 015
Trade and other payables		**576**	-
		9 905	**9 622**

Inovalis SA – Advisory fees

2022

On March 28, 2022, the REIT closed the purchase of the Gaia investment property from a third-party investor. In conjunction with the acquisition, the REIT paid €400 ($550) in broker fees & €400 ($550) in advisory fees to Advenis Real Estate Solutions, a subsidiary of Inovalis SA. See Note 6 for further details.

On March 31, 2022, the REIT closed the purchase of the Delgado investment property from a third-party investor. In conjunction with the acquisition, the REIT paid €295 ($408) in advisory fees to Inovalis SA. See Note 6 for further details.

2021

On November 30, 2021, the REIT closed the sale of the Jeuneurs investment property to a third-party investor. In conjunction with the sale, the REIT paid €840 ($1,217) in disposition fees to Inovalis SA and €1,680 ($2,434) in broker fees to Advenis Real Estate Solutions, a subsidiary of Inovalis SA.

Joint ventures

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

	Financial statement line item	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Management fees invoiced to joint ventures	Administration expenses	**282**	304
Property management fees	Service charge expenses	**(30)**	(71)
Letting fees invoiced	Service charge expenses	**(2)**	(2)
less portion accounted for over the lease term	Service charge expenses	**2**	2
Finance income	Finance income	**779**	880
		1 031	**1 113**

	Financial statement line item	Due from joint ventures As at March 31, 2022	As at December 31, 2021
Assets			
Loan receivable	Investments accounted for using the equity method	**32,014**	34,083
Interest receivables	Other financial assets - current	**2,719**	2,177
		34,733	**36,260**
Liabilities			
Balance of sale payable	Trade and other payables	**549**	505
		549	**505**

For more information on joint ventures, please refer to Note 7 – Investments in joint ventures.

Note 19 – Transactions with related parties (Cont'd)

Remuneration of key management personnel

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

	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Wages, fees and other benefits	(63)	(227)
	(63)	**(227)**

Note 20 – Financial instruments and risk management

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

	As at March 31, 2022		
	Level 2	**Level 3**	**Total**
Investment properties	-	513 697	**513 697**
Derivative financial instruments - assets	1 269	-	**1 269**
Derivative financial instruments - liabilities	(387)	-	**(387)**
Exchangeable securities	(8 724)	-	**(8 724)**

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

The REIT's financial assets and liabilities comprise cash, trade receivables, trade payables and accrued liabilities, mortgages loans and exchangeable securities. Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows.

Note 20 – Financial instruments and risk management (Cont’d)

Fair value of financial assets and liabilities

The fair values of cash, trade receivables, trade payables and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments.

(a) Mortgage loans

Mortgage loans are carried at amortized cost using the effective interest rate method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT as at March 31, 2022.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using March 31, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at March 31, 2022 of the mortgage loans has been estimated at $145,593 (December 31, 2021 – $95,373) compared with the carrying value before deferred financing costs of $139,600 (December 31, 2021 – $92,708). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

(b) Exchangeable Securities

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

Risks associated with financial assets and liabilities

The REIT is exposed to financial risks arising from its financial assets and liabilities. The financial risks include interest rate risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the REIT, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the REIT's activities. The REIT aims to develop a disciplined control environment in which all employees understand their roles and obligations.

The continued spread of the COVID-19 pandemic and the ensuing actions being taken by governments, businesses and individuals to limit its effects, including business closures, physical distancing and partial unemployment has impacted the global economy and the available income and liquidity of our tenants, effectively increasing the credit risk associated with our receivables, limiting our ability to respond quickly to changes in credit risk, extending the time to completion and occupancy of major assets and potentially reducing our ability to serve our tenants in the future. As at the end of March 31, 2022, the potential impact of such uncertainties on our future financial results is difficult to reliably measure.

Note 20 – Financial instruments and risk management (Cont'd)

Fair value of financial assets and liabilities

The following table provides a comparison of the carrying amounts and fair value of the REIT's financial assets and liabilities that are not carried at fair value in the Condensed Interim Consolidated Financial Statements.

As at March 31, 2022 restated (Note 23)	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	32,014	32,014
Financial liabilities			
Mortgage loans	2	139,595	145,004
Tenant deposits	2	2,325	2,325

As at December 31, 2021 restated (Note 23)	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	34,083	34,083
Financial liabilities			
Mortgage loans	2	92,708	94,834
Tenant deposits	2	1,449	1,449

Note 21 – Cash flow information

	Note	For the three months ended March 31, 2022	For the three months ended March 31, 2021
Adjustments for non-cash items and other reconciling items:			
Decrease (increase) in rent-free period	*5*	**303**	(173)
Net change in fair value of investment properties	*5*	**(2 131)**	(1 710)
Change in classification of finance costs in relation to mortgage loan	*21*	**-**	519
Net change in fair value of financial derivatives		**(799)**	(2 834)
Distributions recognized on exchangeable securities	*10*	**194**	230
Net change in fair value of exchangeable securities		**(291)**	679
Finance income	*14*	**(1 168)**	(880)
Finance costs	*14*	**1 174**	1 705
Share of net earnings from investments in joint ventures	*7*	**(552)**	(429)
Impairment of loans to joint ventures	*7*	**227**	-
Foreign exchange loss		**980**	886
		(2 063)	**(2 007)**
Working capital adjustments			
Increase in trade and other receivables		**(7 359)**	(1 486)
Increase (decrease) in tenant deposits		**978**	(619)
Decrease in trade and other payables		**7 109**	3 790
		728	**1 685**

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

Liabilities	As at December 31, 2021	Cash-flows [1]	Foreign exchange movement	Fair value changes	As at March 31, 2022
Exchangeable securities	9 015	-	-	(291)	**8 724**
Mortgage loans	92 708	50 151	(3 264)	-	**139 595**
Lease liabilities	114 051	(1 685)	(4 216)	-	**108 150**

(1) Cash-flows include issuance and repayment

Note 21 – Cash flow information (Cont'd)

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

Note 22 – Subsequent events

Refinancing of Cancorp Duisburg

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

Loan Covenant Breach on SCI Baldi

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

Note 23 – Restatement of financial position

The condensed interim financial statements for the three months ended March 31, 2022, including the comparative figures for the year ended December 31, 2021 have been amended and restated to correct the classification of the REIT's mortgage loans within SCI Sabliere and SCI Veronese. The portion of the mortgage loans within SCI Sabliere and SCI Veronese that had previously been classified as non-current liabilities have been reclassified as current liabilities. This reclassification is necessary due to the year-end debt service covenant ratio not being met on the mortgage loans as at March 31, 2022 and December 31, 2021 (see Note 9), allowing the lenders to call the principal outstanding on demand.

The effect of this restatement resulted in the reclassification of $23,002 and $24,437 in mortgage loans from non-current liabilities to current liabilities as at March 31, 2022 and December 31, 2021, respectively. The adjustment had no effect on the previously reported amounts of earnings, comprehensive income, or cash flows from operating activities, investing activities or financing activities. The restated interim consolidated balance sheets and restated consolidated balance sheets are as follows as at March 31, 2022 and December 31, 2021:

Note 23 – Restatement of financial results (Cont'd)

Interim Consolidated Balance Sheet

		As at March 31, 2022		
Assets	***Note***	**As restated**	**As previously reported**	**Restatement**
Non-current assets				
Investment properties	*5*	**513,697**	513,697	-
Investments in joint ventures	*7*	**61,668**	61,668	-
Derivative financial instruments	*20*	**490**	490	-
Restricted cash		**5,050**	5,050	-
Total non-current assets		**580,905**	**580,905**	**-**
Current assets				
Trade receivables and other financial assets	*8*	**11,865**	11,865	-
Derivative financial instruments	*20*	**779**	779	-
Other current assets		**4,527**	4,527	-
Restricted cash		**121**	121	-
Cash		**15,486**	15,486	-
Total current assets		**32,778**	**32,778**	**-**
Total assets		**613,683**	**613,683**	**-**
Liabilities and equity	***Note***	**As restated**	**As previously reported**	**Restatement**
Liabilities				
Non-current liabilities				
Interest-bearing loan		**322**	322	-
Mortgage loans	*9*	**97,248**	120,250	(23,002)
Lease liabilities	*9*	**102,028**	102,028	-
Tenant deposits		**2,084**	2,084	-
Derivative financial instruments	*20*	**-**	-	-
Deferred tax liabilities		**4,943**	4,943	-
Total non-current liabilities		**206,625**	**229,627**	**(23,002)**
Current liabilities				
Interest-bearing loan		**23**	23	-
Mortgage loans	*9*	**42,347**	19,345	23,002
Lease liabilities	*9*	**6,122**	6,122	-
Tenant deposits		**241**	241	-
Derivative financial instruments	*20*	**387**	387	-
Exchangeable securities	*10*	**8,724**	8,724	-
Trade and other payables	*11*	**17,024**	17,024	-
Income tax payable		**2,167**	2,167	-
Deferred income		**381**	381	-
Total current liabilities		**77,416**	**54,414**	**23,002**
Total liabilities		**284,041**	**284,041**	**-**
Equity				
Trust units	*16*	**288,752**	288,752	-
Retained earnings		**42,352**	42,352	-
Accumulated other comprehensive (loss) income	*17*	**(2,754)**	(2,754)	-
Total unitholders' equity		**328,350**	**328,350**	**-**
Non-controlling interest		**1,292**	1,292	-
Total equity		**329,642**	**329,642**	**-**
Total liabilities and equity		**613,683**	**613,683**	**-**

Note 23 – Restatement of financial results (Cont'd)

Consolidated Balance Sheet

		As at December 31, 2021		
Assets	*Note*	**As restated**	**As previously reported**	**Restatement**
Non-current assets				
Investment properties	*5*	**427,631**	427,631	-
Investments in joint ventures	*7*	**64,327**	64,327	-
Restricted cash		**4,964**	4,964	-
Total non-current assets		**496,922**	**496,922**	**-**
Current assets				
Trade receivables and other financial assets	*8*	**9,368**	9,368	-
Derivative financial instruments	*20*	**845**	845	-
Other current assets		**3,431**	3,431	-
Restricted cash		**52**	52	-
Cash		**76,627**	76,627	-
Total current assets		**90,323**	**90,323**	**-**
Total assets		**587,245**	**587,245**	**-**
Liabilities and equity	*Note*	**As restated**	**As previously reported**	**Restatement**
Liabilities				
Non-current liabilities				
Interest-bearing loan		**334**	334	-
Mortgage loans	*9*	**48,662**	73,099	(24,437)
Lease liabilities	*9*	**106,351**	106,351	-
Tenant deposits		**1,172**	1,172	-
Derivative financial instruments	*20*	**366**	366	-
Deferred tax liabilities		**4,941**	4,941	-
Total non-current liabilities		**161,826**	**186,263**	**(24,437)**
Current liabilities				
Interest-bearing loan		**24**	24	-
Mortgage loans	*9*	**44,046**	19,609	24,437
Lease liabilities	*9*	**7,700**	7,700	-
Tenant deposits		**277**	277	-
Derivative financial instruments	*20*	**853**	853	-
Exchangeable securities	*10*	**9,015**	9,015	-
Trade and other payables	*11*	**11,248**	11,248	-
Income tax payable		**2,167**	2,167	-
Deferred income		**4,004**	4,004	-
Total current liabilities		**79,334**	**54,897**	**24,437**
Total liabilities		**241,160**	**241,160**	**-**
Equity				
Trust units	*16*	**288,752**	288,752	-
Retained earnings		**46,979**	46,979	-
Accumulated other comprehensive income	*17*	**9,055**	9,055	-
Total unitholders' equity		**344,786**	**344,786**	**-**
Non-controlling interest		**1,299**	1,299	-
Total equity		**346,085**	**346,085**	**-**
Total liabilities and equity		**587,245**	**587,245**	**-**

Corporate information

Head office

Inovalis REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

Investor relations

E-mail: info@inovalis.com

Website: www.inovalisreit.com

Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

Distribution Reinvestment Plan

The reinstatement of the Dividend Reinvestment Plan ("DRIP") has been approved by the Board of Trustees of the REIT. The commencement of the DRIP will be effective with the April 2022 distribution for Unitholders of record on April 29, 2022. Unitholders that were enrolled in the DRIP at the time of its suspension at April 30, 2020 and have not subsequently withdrawn will automatically resume participation in the DRIP. The DRIP allows eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT's election, will be issue from treasury or purchased on the open market. If the REIT elects to issue units from treasury, such units will be purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the relevant dividend payment date. The REIT may, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.

INOVALIS

REAL ESTATE INVESTMENT TRUST

INOVALIS REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

www.inovalisreit.com