NOTICE TO READERS

THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF INOVALIS REAL ESTATE INVESTMENT TRUST FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 HAVE BEEN REFILED FOR THE PURPOSE OF REPLACING THE INDEPENDENT AUDITOR'S REPORT THAT ACCOMPANIED THE CONSOLIDATED FINANCIAL STATEMENTS FILED ON SEDAR ON APRIL 1, 2019. AS ORIGINALLY FILED, THE INDEPENDENT AUDITOR'S REPORT DID NOT INCLUDE THE AUTHORIZED SIGNATURE OF THE AUDITOR. MINOR TYPOGRAPHICAL CHANGES WERE ALSO MADE TO CHANGE THE DATE OF THE MANAGEMENT RESPONSIBILITY LETTER, TO CONFORM THE SIGNATURES OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ON THE MANAGEMENT RESPONSIBILITY LETTER AND TO CONFORM THE SIGNATURES OF THE CHAIR OF THE BOARD AND THE CHAIR OF THE AUDIT COMMITTEE ON THE CONSOLIDATED BALANCE SHEETS. BUT FOR THESE AMENDMENTS, THE FINANCIAL STATEMENTS REMAIN UNCHANGED.

THESE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF INOVALIS REAL ESTATE INVESTMENT TRUST FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 WHICH INCLUDE THE AMENDED INDEPENDENT AUDITOR'S REPORT, REPLACE THE CONSOLIDATED FINANCIAL STATEMENTS FILED ON APRIL 1, 2019.

INOVALIS REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements, the notes thereto and other financial information have been prepared by, and are the responsibility of, the management of Inovalis Real Estate Investment Trust. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

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

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

"David Giraud "	*"Tom Wenner"*
David Giraud	Tom Wenner
Chief Executive Officer	Chief Financial Officer

Toronto, Canada, April 1, 2019

Independent auditor's report

To the unitholders of
Inovalis REIT

Opinion

We have audited the consolidated financial statements of **INOVALIS REAL ESTATE INVESTMENT TRUST** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Group's 2018 management's discussion and analysis

Management is responsible for the other information. Other information consists of the information included in the Management's Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Ernst & Young LLP [1]

Montréal, Canada
April 1, 2019

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

Consolidated Balance Sheets

(All dollar amounts in thousands of Canadian dollars)

Assets	*Note*	As at December 31, 2018	As at December 31, 2017
Non-current assets			
Investment properties	*6*	421 937	440 813
Investments in joint ventures	*7*	98 703	79 094
Deposit	*7*	-	1 132
Acquisition loan	*8*	25 719	25 903
Derivative financial instruments	*9*	306	59
Restricted cash	*13*	1 644	1 509
Total non-current assets		**548 309**	**548 510**
Current assets			
Trade receivables and other financial assets	*10*	4 000	6 459
Derivative financial instruments	*9*	6 814	-
Other current assets	*11*	1 080	1 395
Cash	-	19 110	20 345
Total current assets		**31 004**	**28 199**
Assets held for sale	*12*	**40 027**	
Total assets		**619 340**	**576 709**

Liabilities and equity	*Note*	As at December 31, 2018	As at December 31, 2017
Non-current liabilities			
Mortgage loans	*15*	83 391	113 342
Finance lease liabilities	*15*	120 547	122 735
Lease equalization loans	*16*	2 130	3 196
Tenant deposits	-	2 180	2 292
Derivative financial instruments	*9*	1 396	650
Deferred tax liabilities	*23*	8 428	3 059
Exchangeable securities	*17*	4 779	6 907
Deferred income	*8*	1 099	3 260
Total non-current liabilities		**223 950**	**255 441**
Current liabilities			
Promissory notes	*14*	42 471	23 789
Mortgage loans	*15*	14 588	2 660
Finance lease liabilities	*15*	6 637	6 014
Lease equalization loans	*16*	1 185	1 247
Tenant deposits	-	687	162
Derivative financial instruments	*9*	1 207	1 316
Exchangeable securities	*17*	3 203	9 836
Trade and other payables	*18*	7 145	6 772
Deferred income	*8*	4 394	4 195
Total current liabilities		**81 517**	**55 991**
Liabilities directly associated with assets held for sale	*12*	**21 792**	
Total liabilities		**327 259**	**311 432**
Equity			
Trust units	*19*	207 442	195 739
Retained earnings	-	47 974	44 749
Accumulated other comprehensive income	*25*	36 146	24 436
Total Unitholders' equity		**291 562**	**264 924**
Non-controlling interest	-	519	353
Total equity		**292 081**	**265 277**
Total liabilities and equity		**619 340**	**576 709**

See accompanying notes to consolidated financial statements

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

"Daniel Argiros"	*"Jo-Ann Lempert"*
Daniel Argiros	Jo-Ann Lempert
Chairman and Trustee	Audit Chair and Trustee

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

	Note	For the year ended December 31, 2018	For the year ended December 31, 2017
Rental income	*20*	25,434	24,946
Service charge income	*20*	7,248	6,908
Service charge expenses	-	(9,668)	(8,287)
Other revenues	-	804	834
Other property operating expenses	-	(289)	(271)
Net rental earnings		**23,529**	**24,130**
Administration expenses	*21*	(5,223)	(5,293)
Foreign exchange gain (loss)	-	120	(179)
Net change in fair value of investment properties	*6*	335	892
Acquisition costs	-	-	(210)
Share of net earnings from joint ventures	*7*	6,926	2,421
Operating earnings		**25,687**	**21,761**
Net change in fair value of financial derivatives		4,372	1,066
Net change in fair value of Exchangeable securities	*17*	1,482	(904)
Net change in fair value of Promissory notes	*31*	1,543	(513)
Loss recognized on exercise of early payment option on finance lease	-	-	(122)
Gain on partial disposal of investment in joint venture	-	-	843
Finance income	*22*	7,775	6,818
Finance costs	*22*	(10,797)	(7,123)
Distributions on Exchangeable securities	*17*	(1,016)	(1,618)
Earnings before income taxes		**29,046**	**20,208**
Current income tax expense	*23*	(131)	(186)
Deferred income tax expense	*23*	(6,619)	(658)
Earnings for the year		**22,296**	**19,364**
Earnings (Loss) for the year attributable to :			
Non-controlling interest	-	144	197
Unitholders' of the Trust	-	22,152	19,167
		22,296	**19,364**

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

(All dollar amounts in thousands of Canadian dollars)

	Note	For the year ended December 31, 2018	For the year ended December 31, 2017
Earnings for the year		**22,296**	**19,364**
Other comprehensive income	-		
Items that may be reclassified subsequently to earnings :			
Net losses on derivatives designated as a hedge of the net investment in a foreign entity	-	(299)	(1,687)
Derivatives designated as cash flow hedges			
Net gains		-	415
Reclassification of net losses to earnings	-	673	439
Change in cumulative translation adjustment account	-	11,358	16,909
Other comprehensive income for the year, net of tax		**11,732**	**16,076**
Total comprehensive income for the year		**34,028**	**35,440**
Total comprehensive income (loss) for the year attributable to :			
Non-controlling interest	-	166	232
Unitholders of the Trust	-	33,862	35,208
Total comprehensive income for the year		**34,028**	**35,440**

Consolidated Statements of Changes in Equity

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

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings	Accumulated other comprehensive income	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2017		22,235,421	195,739	44,749	24,436	264,924	353	265,277
Issuance of units	*19*	1,064,437	9,559	-	-	9,559	-	9,559
Distributions earned by Unitholders	*24*	-	-	(18,927)	-	(18,927)	-	(18,927)
Distributions reinvestment Plan	*24*	213,794	2,144	-	-	2,144	-	2,144
		1,278,231	11,703	(18,927)	-	(7,224)	-	(7,224)
Earnings for the year		-	-	22,152	-	22,152	144	22,296
Other comprehensive income		-	-	-	11,710	11,710	22	11,732
Comprehensive income		-	-	22,152	11,710	33,862	166	34,028
As at December 31, 2018		**23,513,652**	**207,442**	**47,974**	**36,146**	**291,562**	**519**	**292,081**
As at December 31, 2016		21,525,775	189,158	43,455	8,395	241,008	121	241,129
Issuance of units	*19*	500,014	4,569	-	-	4,569	-	4,569
Distributions earned by Unitholders	*24*	-	-	(17,873)	-	(17,873)	-	(17,873)
Distributions reinvestment Plan	*24*	209,632	2,012	-	-	2,012	-	2,012
		709,646	6,581	(17,873)	-	(11,292)	-	(11,292)
Earnings for the year		-	-	19,167	-	19,167	197	19,364
Other comprehensive income		-	-	-	16,041	16,041	35	16,076
Comprehensive income		-	-	19,167	16,041	35,208	232	35,440
As at December 31,2017		**22,235,421**	**195,739**	**44,749**	**24,436**	**264,924**	**353**	**265,277**

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

(All dollar amounts in thousands of Canadian dollars)

	Note	**For the year ended December 31, 2018**	**For the year ended December 31, 2017**
Operating activities			
Earning before income taxes		29 046	20 208
Interest received		8 198	11 407
Interest paid (on mortgage, lease liabilities and lease equalization loans)		(10 437)	(5 618)
Income tax paid		(131)	(185)
Adjustments for non-cash items and other reconciling items	*31*	(7 534)	3 376
		19 142	**29 188**
Working capital adjustments	*31*	1 248	(1 591)
Net cash flows related to operating activities		**20 390**	**27 597**
Investing activities			
Acquisition costs		-	(210)
Investment properties (additions and capitalized letting fees)	*6*	(4 676)	(1 736)
Investments in joint ventures	*7*	(10 273)	(33 706)
Distribution from joint ventures	*7*	-	325
Loan repayments received from joint ventures	*7*	1 850	5 544
Investment in acquisition loan	*8*	(454)	(17 193)
Decrease in financial current assets			27 736
Net cash flows related to investing activities		**(13 553)**	**(19 240)**
Financing activities			
Distributions on Units paid in cash	*24*	(16 694)	(15 811)
Distributions in respect of exchangeable securities paid in cash	*17*	(1 029)	(2 338)
Proceeds from new mortgage loans, net of transaction costs	*15*	-	63 854
Transaction fees related to the exercise of early payment option on finance leases	*15*	-	(122)
Proceeds from promissory notes net of transaction costs	*14*	20 225	23 353
Repayment of promissory notes		(479)	(645)
Repayment of mortgage loans and finance lease liabilities		(8 742)	(64 325)
Repayment of lease equalization loans		(1 261)	(1 099)
Net cash flows related to financing activities		**(7 980)**	**2 867**
Net increase (decrease) in cash		(1 143)	11 224
Effects of foreign exchange adjustments on cash		792	(536)
Cash at the beginning of the year		20 345	9 657
Cash at the end of the year		**19 994**	**20 345**
Cash at bank and on hand		*19 110*	*20 345*
Cash classified as held for sale	*12*	*884*	*-*
Cash at the end of the year		**19 994**	**20 345**

See accompanying notes to consolidated financial statements

Note 1 – Organization

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

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

The REIT's consolidated financial statements for the year ended December 31, 2018 were authorized for issuance by the Board of Trustees on April 1, 2019.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France and Germany, to manage certain functions. Refer to Note 3 – Significant accounting policies, Note 8 – Acquisition loan, and Note 17 – Exchangeable securities, for more information about the relationship between Inovalis SA and the REIT, and to Note 27 – Transactions with related parties, for information regarding the services provided by Inovalis SA to the REIT.

Inovalis SA is considered as a related party of the REIT as they share the same management (President, Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO")).

Note 2 – Basis of preparation of consolidated financial statements

Statement of compliance

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

Basis of presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars. All financial information has been rounded to the nearest thousand except when otherwise indicated. The accounting policies set out below have been applied consistently in all material respects, except for the application of IFRS 9 (refer to Note 5).

The consolidated financial statements have been prepared on the historical cost basis except for Investment Properties, Exchangeable Securities, Promissory Notes, Acquisition Loan and Derivative Financial Instruments, which are measured at their fair values.

Comparative figures for the year ended December 31 2017 have been restated as follows to conform to the presentation adopted for the year ended December 31 2018.

- Interest receivable from joint ventures are reclassified from "Other current assets" to "Trade and other receivables" for an amount of $626 as at December 31, 2017;
- The share profit of the Arcueil joint-venture (refer to footnote 2 of note 7) is reclassified from "Finance income" to "Share of net earnings from joint ventures for an amount of $217 as at December 31, 2017.

Note 3 – Significant accounting policies

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

Basis of consolidation

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

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

Details of the REIT's subsidiaries as of December 31, 2018 are as follows:

Name of subsidiary	Principal Activity	Name of the assets	Country of Incorporation and Residence	Porportion of Ownership Interest and Voting Power Held - 2018	Porportion of Ownership Interest and Voting Power Held - 2017
Cancorp Europe SA ("CCE")	Holding Company for European assets		Luxembourg	84.34%	81.82%
Cancorp Cologne SARL	Investment and holding Company		Luxembourg	100% held by CCE	100% held by CCE
Cancorp Hanover SA ("CCH")	Holding Company		Luxembourg	100% held by CCE	100% held by CCE
INOPCI 1	Holding Company Investment		France	100% held by CCE	100% held by CCE
SCI Baldi	Investment property holding	Baldi Property	France	100% held by INOPCI 1	100% held by INOPCI 1
SCI Sablière	Investment property holding	Sablière Property	France	100% held by INOPCI 1	100% held by INOPCI 1
SCI Jeuneurs	Investment property holding	Jeûneurs Property	France	100% held by INOPCI 1	100% held by INOPCI 1
SCI BBA	Investment property holding	Vanves Property	France	100% held by INOPCI 1	100% held by INOPCI 1
SCI Véronèse	Investment property holding	Dubonnet Property	France	100% held by INOPCI 1	100% held by INOPCI 1
SCI Metropolitain	Investment property holding	Metropolitain Property	France	100% held by INOPCI 1	100% held by INOPCI 1
Metropolitan LLC	Investment property holding		USA	100.00%	100.00%
Hanover Cancorp GmbH KG	Investment property holding	Hanover Property	Germany	94% held by CCH	94% held by CCH

Also, as further explained in Note 3 under caption "Exchangeable securities", the 15.66% interest held by Inovalis SA in CCE and its subsidiaries (18.18% as at December 31, 2017) is presented as a liability rather than a non-controlling interest (refer to Note 17 for details regarding this interest).

Business combinations and property acquisitions

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

The REIT recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition date fair value irrespective of the extent of any minority interest. The excess of the consideration given and the amount of any non-controlling interest over the fair value of the identifiable net assets acquired is recorded as goodwill. If the consideration given and the amount of any non-controlling interest is less than the fair value of the net assets acquired, the difference is recognized directly in earnings as a gain. Any transaction costs incurred with respect to the business combination are expensed in the period incurred.

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

Foreign currency translation

(a) Functional and presentation currencies

Items included in the financial statements of each of the REIT's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the REIT's subsidiaries and joint ventures is the euro, whereas the functional currency of the Trust, as well as its presentation currency, is the Canadian dollar.

(b) Transactions and balances

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

(c) Foreign operations

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

i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
ii. Items presented in the consolidated statement of earnings, income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income, expenses and cash flows are translated at the rate on the dates of the transactions); and
iii. All resulting exchange differences are recognized in other comprehensive income and recognized as a cumulative translation adjustment account in "Accumulated other comprehensive income" in equity.

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

Investment properties

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

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

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

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

Joint arrangements

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

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

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

As at December 31, 2018, and as at December 31, 2017, the REIT, through its subsidiary CCE, holds the following joint ventures:

Name of entity	Principal Activity	Property Name	Country of Incorporation and Residence	Porportion of Ownership Interest and Voting Power Held - 2018	Porportion of Ownership Interest and Voting Power Held - 2017
Cancorp Duisburg SARL ("CCD")	Investment property holding	Duisburg Property	Luxembourg	50% joint-venture held by CCE	50% joint-venture held by CCE
SCI Cancorp Cologne ("Cologne')	Investment property holding	Cologne Property	France	6% held by CanCorpCologne Sarl	6% as from December 31 held by CanCorpCologne Sarl
Walpur Four SARL ("Walpur")	Investment property holding	Bad Homburg Property	Luxembourg	50% joint-venture held by CCE	50% joint-venture held by CCE
Arcueil SI General Partner SARL	General partner for Arcueil SCS		Luxembourg	25% joint-venture held by CCE	25% joint-venture held by CCE
Arcueil SCS ("Arcueil")	Investment and holding Company		Luxembourg	25% joint-venture held by CCE	25% joint-venture held by CCE
Arcueil SI SARL	Holding Company		Luxembourg	100% held by Arcueil SCS	100% held by Arcueil SCS
INOPCI 2	Holding Company		France	100% held by Arcueil SI Sarl	100% held by Arcueil SI Sarl
Arcueil Holding SAS	Holding Company		France	100% held by INOPCI 2	100% held by INOPCI 2
SCI Lenine Arcueil	Investment property holding	Arcueil Property	France	100% held by Arcueil Holding S.A.S	100% held by Arcueil Holding S.A.S
TFI Cancorp Stuttgart SARL ("STUTTGART")	Investment property holding	Stuttgart Property	Luxembourg	50% held by CCE	50% held by CCE as from June 9
SCI Delizy Diamants ("DELIZY")	Investment property holding	Delizy Property	France	50% held by INOPCI	50% held by INOPCI 1 as from February 28
TFI Cancorp Isenburg SARL ("NEU ISENBURG")	Investment property holding	Neu Isenburg Property	Luxembourg	50% held by CCE	50% held by CCE as from December 27
TFI Cancorp Kosching SARL ("KOSCHING")	Investment property holding	Kösching Property	Luxembourg	50% held by CCE as from February 28	

Trust Units

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

i. The Units entitle the Unitholder to a pro rata share of the REIT's net assets in the event of the REIT's liquidation. The REIT's net assets are those assets that remain after satisfaction of all its liabilities;
ii. The Units are in the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the REIT on liquidation, and do not need to be

converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments;

iii. All Units have identical features;

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

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

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

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

Financial instruments

Recognition, initial measurement and derecognition

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

Classification and subsequent measurement

Trade receivables and other financial assets

Trade receivables and other financial assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for impairment if applicable (Note 5).

Derivative financial instruments and cash-flow hedge accounting

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

On July 1st, 2017, the REIT discontinued the application of the hedge accounting to its interest rate swap and cap relationships. Accordingly, the cumulative gain or loss on the interest rate swaps and caps that have been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs or is no longer expected to occur. If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment. Going forward, variance in fair value of the interest rate swap and cap are recognized in profit and loss.

Acquisition loan

The acquisition loan is initially measured at fair value using a market interest rate, and any difference with nominal interest rate is taken into account in the effective interest rate method. It is subsequently measured at amortized cost because this financial asset does fulfill the SPPI (Solely Payment of Principal and Interest) criterion.

Exchangeable Securities

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

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

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

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

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

Tenant deposits

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

Mortgage loans and lease equalization loans

Mortgages and lease equalisations loans are recognized initially at fair value and subsequently at amortized cost using the effective interest method with transaction cost spread using the same method. These financial liabilities are classified as current liabilities if payment is due within twelve months which can include accrued interest. Otherwise, they are presented as non-current liabilities.

Trade and other payables

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

Promissory Notes

Promissory Notes bear interest, are repayable at maturity date and include a prepayment option. The REIT and the investor also have call and put option (Note 14).The promissory notes are designated at fair value through profit or loss, and measured at fair value with changes in fair value recorded in profit or loss as the cumulative change due to credit spread change is negligible. This designation is related to the existence of non-closely related embedded derivatives.

Fair value hierarchy of financial and non-financial items

The fair value hierarchy that applies in determining fair value requires that observable market data be used if such data exist. An asset or liability is classified at the lowest hierarchical level when significant unobservable market data has been used in the fair value measurement.

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

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

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

Assets held for sale

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

In the case the impairment loss identified for a disposal group exceeds the carrying amount of the non-current assets which are in the scope of IFRS 5 for measurement within that disposal group, such excess is not recognized.

Leases

Operating lease contracts - REIT as lessor

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

Finance lease – REIT as lessee

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

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

Revenue recognition

Rental income from investment properties

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the REIT is reasonably certain that the tenant will exercise that option.

Rental income received during the financial year but relating to a subsequent financial year are included in the liabilities under the caption "Deferred Income".

Service charge expenses and income, and other property operating expenses

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

Finance income and costs

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

Distributions

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

A Distribution Reinvestment Plan ("DRIP") has been put in place starting from the July 2013 distribution, providing Unitholders with the opportunity to accumulate additional Units plus additional bonus Units in an amount equal to three percent of the distributions reinvested by the Unitholders. The DRIP provides an efficient and cost-effective way for the REIT to issue additional equity to existing Holders.

Provisions

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

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

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

Income taxes

Canadian income taxes

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

The Trust consolidates certain wholly-owned incorporated entities that remain subject to tax. The tax disclosures and expense relate to these entities.

Foreign taxes

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

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

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

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

Segment reporting

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

Note 4 – Critical accounting judgments and estimates

The preparation of the REIT's consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Critical accounting judgments

Business combination

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

Accounting for business combinations under IFRS 3, Business Combinations ("IFRS 3") only applies if it is considered that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the REIT. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. The purchase of investment properties is classified as a business acquisition on the basis that it involves the acquisition of leasable space (inputs), management processes to lease that space to tenants and leasing arrangements with tenants that generated rental income (processes). In the absence of such criteria, a group of assets is deemed to have been acquired. When the acquisition does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities.

Joint arrangements

The classification of joint arrangements in accordance with IFRS 11 - Joint Arrangements ("IFRS 11") may require the judgement of management, particularly if there are several agreements related to the joint arrangements.

Because the terms of the agreements clearly stipulate that decisions about the relevant activities relating to the joint ownership require unanimous consent of both shareholders and that the parties have a right only on the net assets, all the investments in joint arrangements are accounted for as joint ventures.

Deferred tax liabilities

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

The current Double Taxation Treaty (DTT) in force between France and Luxembourg require that the REIT should incur French withholding tax of 5% on the dividend received from their France based OPCIs. OPCI refers to Organisme de placement collectif en immobilier which refers to French real estate collective investment undertakings. OPCIs are French real estate collective undertakings and are considered tax-exempt vehicles provided they distribute 50% of their net profit arising from capital gains.

On March 20, 2018 the Governments of France and Luxembourg signed a new DTT and accompanying Protocol. The revised DTT is currently pending ratification before it comes into force. If the DTT is ratified by both parties before December 31, 2019 it will come into effect in 2020. Management's assessment is that the DTT is substantively enacted.

The revised DTT requires that these dividend distributions be subject to a withholding tax rate of as much as 30% which can potentially be reduced to a 15% withholding tax in some specific cases.

The increase in tax rates may have a significant impact on the REIT. Management is currently implementing a structure to benefit from the reduced rate of 15% once the DTT comes into effect. Deferred income tax liabilities are based on the reduced rate of 15% and the assumption of the distribution of 50% of the OPCIs' net profits arising from capital gains upon disposition (which results in an effective rate of 7,5%).

$ 4,802 of the deferred tax liabilities recorded for the year ended December 31, 2018 is due to the change in the DTT.

Critical accounting estimates

Valuation of the related call option related to the acquisition loan

The fair value of the call option is determined based mainly on (i) the level of expected gain on sale of the property and (ii) the probability of realization of that gain.

Valuation of investment properties

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

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

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

The group that determines the REIT's valuation policies and procedures for property valuations comprises the chief executive officer (CEO), chief investment officer (CIO) and chief financial officer (CFO). Each year, Inovalis SA appoints an external evaluator who is responsible for the valuations of the REIT's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

In addition, the CEO and CIO are responsible for Inovalis SA' internal valuation department with regards to the REIT's properties. Inovalis SA' internal valuation department comprises a number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. External valuations are obtained every six months for the French properties and annually for the German properties. As at each year-end, all properties are valued by external evaluators.

The significant methods and assumptions used by the valuators in estimating the fair value of investment properties are set out in Note 6 – Investment properties.

Note 5 – Changes and future changes in accounting policies

New accounting policies adopted in the current period

IFRS 9 – Financial Instruments

The REIT has initially adopted IFRS 9 Financial Instruments from January 1, 2018.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, covering all three aspects of the accounting for financial assets and liabilities: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the REIT applied prospectively, the REIT has applied IFRS 9 retrospectively, with the date of initial application of January 1, 2018 and without restating comparative periods with respect to classification and measurement (including impairment) requirements. Management performed an analysis of the carrying values of assets and liabilities held at January 1, 2018 to determine whether any impairments were necessary following the adoption of IFRS 9. Based on the results of this analysis, no impairments to the carrying values of assets and liabilities held at January 1, 2018 have been deemed necessary.

(a) Classification and measurement

Similar to IAS 39, financial assets are classified under different categories, of which some are measured at amortized cost and others at fair value (recognized either in earnings or in other comprehensive income).

IFRS 9 is systematizing the use of the fair value for the measurement of financial assets. Indeed, under IFRS 9 financial assets can be measured at amortized cost only when both of the following criteria are met:

- The business model' assessment is to hold and to collect contractual cash flows of the asset; and

- The asset's contractual cash flows represent "solely payments of principal and interest" (SPPI criterion).

The assessment of the REIT's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement of the REIT's financial assets are as follows:

Financial assets at amortized cost comprise the REIT's loans to joint ventures, the acquisition loan, trade receivables and other financial assets, restricted cash and cash.

Financial assets at fair value through profit or loss (FVTPL) comprise derivative financial instruments that are not designated as hedging instruments in hedge relationships, at initial recognition or transition. This category also includes the call option associated to the acquisition loan.

Mortgage loans, lease equalization loans, tenant deposits and trade and other payables (other than VAT payable which isn't a financial liability) remain at amortized cost. Promissory Notes and Exchangeable Securities are measured at FVTPL. Transition to IFRS 9 did not affect accumulated other comprehensive income, because the fair value of these liabilities is based exclusively on the fair value of the REIT's units and the REIT's own credit risk of these liabilities is not significant as the REIT can settle the liabilities through the issuance of units.

The new classification and measurement requirements had no impact the consolidated financial statements.

On the date of initial application, January 1, 2018, the financial instruments of the REIT were as follows, with any reclassifications noted:

	Measurment category		**Carrying amount**		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Financial assets					
Loans to Joint Ventures	Amortized cost	Amortized cost	46,346	46,346	-
Acquisition loan	Amortized cost	Amortized cost	25,903	25,903	-
Trade receivables and other financial assets	Amortized cost	Amortized cost	6,459	6,459	-
Derivative instruments	FVTPL	FVTPL	59	59	-
Financial liabilities					
Mortgage loans	Amortized cost	Amortized cost	116,002	116,002	-
Lease equalization loans	Amortized cost	Amortized cost	4,443	4,443	-
Tenant deposits	Amortized cost	Amortized cost	2,454	2,454	-
Promissory notes	FVTPL	FVTPL	23,789	23,789	-
Exchangeable securities	FVTPL	FVTPL	16,743	16,743	-
Trade and other payables	Amortized cost	Amortized cost	6,341	6,341	-
Derivative financial instruments	FVTPL	FVTPL	1,966	1,966	-

(b) Impairment of financial assets at amortized cost and at fair value to OCI

IFRS 9 also introduces changes for the impairment of financial assets as it establishes a new model for financial assets not measured at FVTPL.

The purpose of the new model includes the reporting of credit losses at an earlier stage than under IAS 39. Under the "expected credit loss" ("ECL") model, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The loss allowance is the sum of these probability-weighted outcomes. Because every debt instrument carries with it some risk of default, every such asset has an expected loss attached to it – from the moment of its origination or acquisition. In all cases, the loss allowance and any changes to it are recorded by recognizing impairment gains and losses in earnings. IFRS 9 establishes three separate approaches for measuring and recognizing expected credit losses, depending on the nature of the financial assets.

For trade receivables and other financial assets, the REIT has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses.

For the Loans to Joint Ventures, the ECL is based on the general approach. Under the general approach, the REIT determined the 12-month ECL that is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. In all cases, the REIT considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The REIT considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the REIT may also consider a financial asset to be in default when internal or external information indicates that the REIT is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the REIT.

The new impairment model had no impact on the consolidated financial statements.

(c) Hedge accounting

The REIT has elected to adopt the new general hedge accounting model in IFRS 9. This requires the REIT to ensure that hedge accounting relationships are aligned with its risk management objective and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The REIT applied hedge accounting prospectively. At the date of the initial application, the REIT's existing hedging relationship was eligible to be treated as continuing hedging relationship under IFRS 9.

Consistent with prior periods, the REIT uses foreign exchange contracts to hedge a portion of its net investment in its foreign operations. The REIT designates only the change in fair value of the spot element of the foreign exchange contracts as the hedging instrument in its net investment hedging relationships. The effective portion of changes in fair value of the hedging instruments is recognized in other comprehensive income.

Under IAS 39, the change in fair value of the forward element of the foreign exchange contracts ("forward points") was recognized immediately in profit or loss. Under IFRS 9, the REIT continues to recognize immediately in profit or loss the forward points. Accordingly, the adoption of the hedge accounting requirements of IFRS 9 had no impact on the REIT's consolidated financial statements.

In 2017, the REIT discontinued the application of hedge accounting to its interest rate swap and cap relationships. Accordingly, the REIT began in 2017 the reclassification of a portion of the cumulative gain or loss on the interest rate swaps or caps that were initially recognized in other comprehensive income through profit or loss. Since these hedging relationships were discontinued prior to the adoption of IFRS 9 and the accounting for the discontinuance of a cash flow hedging relationship is the same under IFRS 9, the adoption of IFRS 9 had no impact on the REIT's consolidated financial statements and the same method will be used under IFRS 9 for the reclassification of the cumulative loss from other comprehensive income through profit or loss.

IFRS 15 – Revenue from Contracts with Customers

The REIT has mainly a lessor activity, so the activity is out of scope of IFRS 15 (except for the service charge revenue). Management concluded that there is no significant impact of adoption of IFRS 15.

New accounting policies not yet effective

IFRIC 23 - Uncertainty over income tax treatments

This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. It will be applicable for annual periods beginning on or after 1 January 2019. The REIT considers that the impact of this interpretation will not be material on the consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB published IFRS 16 which will replace IAS 17 *Leases*. For lessees, IFRS 16 introduces a single accounting model, requiring lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances.

No material impact of IFRS 16 is expected on the consolidated financial statements, since existing leases are already accounted for as finance leases.

Note 6 – Investment properties

	2018	2017
Beginning of the year	**440,813**	**412,232**
Additions	3,858	1,616
Capitalized letting fees	818	120
Rent free periods	(926)	(893)
Net change in fair value of investment properties	335	892
Foreign currency translation adjustment	16,069	26,846
Assets classified as held for sale	(39,030)	-
End of the year	**421,937**	**440,813**

	As at December 31, 2018			As at December 31, 2017		
	France	Germany [1]	Total	France	Germany	Total
Fair value of investment properties for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	271,570	24,960	296,530	268,400	25,590	293,990
Option costs	(1,737)	-	(1,737)	(1,867)	-	(1,867)
Adjusted market value in Euros	**269,833**	**24,960**	**294,793**	**266,533**	**25,590**	**292,123**
Exchange adjustment	152,104	14,070	166,174	135,665	13,025	148,690
Adjusted market value in CAD$	**421,937**	**39,030**	**460,967**	**402,198**	**38,615**	**440,813**
Principal method used to value property	Discounted cash flow & Direct Capitalization Method	Discounted cash flow		Discounted cash flow & Direct Capitalization Method	Discounted cash flow	
Number of years used in cash flow projection	10	10		10	10	
Discount rate	4,20% to 6,75%	5,20%		4,25% to 7%	5,10%	
Weighted average discount rate	5,63%	5,20%		5,67%	5,10%	
Weighted average ending capitalization rate	5,63%	5,20%		5,67%	5,10%	
Impact on the fair value of investment properties of :						
an increase of 25 bps in discount rates	(18,792)	(1,790)	(20,582)	(17,728)	(1,694)	(19,422)
a decrease of 25 bps in discount rates	20,722	1,971	22,693	19,530	1,857	21,387

(1) Presented as an asset held for sale

Finance leases

The REIT leases various investment properties with a carrying amount of $229,336 (2017 – $219,020) under finance leases expiring within eight to ten years (2017: within nine to eleven years).

Note 7 – Investments in joint ventures

Outlined below is a breakdown of the carrying amounts of the components of the investment in the Joint Ventures:

	CCD	Walpur	Arcueil²	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	Total
Balance - December 31, 2016	**18,684**	**6,865**	**13,149**	**5,189**				**-**	**43,887**
Additional investment of the year	-	-	-	-	12,794	8,682	12,230	-	33,706
Share of net earnings (loss) from investments [1]	388	1,432	(217)	21	2,390	(551)	(1,042)	-	2,421
Partial disposal	-	-	-	843	-	-	-	-	843
Loan to joint ventures repayments	-	-	-	(5,544)	-	-	-	-	(5,544)
Exchange differences	1,226	489	848	189	451	244	334	-	3,781
Balance -December 31, 2017	**20,298**	**8,786**	**13,780**	**698**	**15,635**	**8,375**	**11,522**	**-**	**79,094**
Additional investment of the year	-	-	-	-	-	-	2,334	9,086	11,420
Share of net earnings (loss) from investments [1]	(450)	266	2,340	253	1,135	73	1,739	1,570	6,926
Loan to joint ventures repayments	-	-	-	-	(887)	-	(625)	(338)	(1,850)
Exchange differences	726	324	552	31	572	305	494	109	3,113
Balance - December 31, 2018	**20,574**	**9,376**	**16,672**	**982.00**	**16,455**	**8,753**	**15,464**	**10,427**	**98,703**

(1) The share of net earnings includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to $ 5,091 (2017 – $ 4,663) and are included in "Finance income" (see note 22).

(2) The share of net earnings regarding Arcueil property includes the variance of the foreign exchange derivative (conversion from € to KRW). The REIT is entitled to receive a 25% share of the net earnings and, upon asset disposal, 75% of the variance of fair value of investment properties, reduced by 100% of foreign exchange derivative costs. As at December 31, 2018 the fair value of the forward is $ (2,551) (2017 - $ (3,017)).

The balance of the investments in joint ventures as at December 31, 2018 includes loans to Joint Ventures for an amount of $ 50,601 which is detailed as follows:

Loans to joint ventures	CCD	Walpur	Arcueil	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	Total
Balance - December 31, 2018	15,564	4,946	-	825	12,876	9,265	4,568	2,557	**50,601**
Balance - December 31, 2017	15,020	4,773	-	797	13,300	8,941	3,515	-	**46,346**

2018

Stuttgart

Repayments of € 297 ($ 455), €80 ($122), €110 ($168) and € 93 ($142) occurred in January 2018, April 2018, July 2018 and October 2018 respectively.

Kösching (Ingolstadt)

On September 15, 2016, the REIT and a co-investor entered into an agreement with a third-party for the acquisition of an investment property to be developed in Ingolstadt, Germany. A deposit of €1.5 million ($ 2.2 million) was paid. The share of the deposit of €750 of the co-investor has been paid by the REIT on behalf of the co-investor. This loan to the co-investor was disclosed under the caption "Trade receivables and other financial assets". The share of the deposit of € 750 ($1,132) of the REIT was disclosed separately on the balance sheet under the caption "Deposit".

On February 28, 2018, the REIT, through its subsidiary CCE, completed the acquisition of its 50% interest in the Kösching (Ingolstadt) investment property, via a joint venture for a total cash consideration of €5,863 ($9,086). This total consideration is composed of a cash consideration paid of € 3,437 ($5,376) for the equity interest (including the deposit of € 750 ($ 1,132) that has been applied to the settlement price), €570 ($ 871) of acquisition costs and a 6.5% interest-bearing loan of € 1,531 ($2,342). A drawdown of €325 ($497) occurred in May 2018 and repayments of €129 ($197) and €92 ($141) occurred in July 2018 and October 2018 respectively.

On the date of acquisition, the fair value of the REIT's share of the net assets of the joint venture was higher than the acquisition cost. Accordingly, a gain of $1,339 was included in the share of net earnings of the joint venture.

Neu Isenburg

On March 15, 2018, the REIT, through its subsidiary CCE contributed an additional cash consideration of €1,000 ($1,530) through the interest-bearing loan facility. The total investment in 2018 of €1,526 ($2,334) also includes the investment costs for an amount of €526 ($804). Repayments of €189 ($288), €111 ($170) and €109 ($167) occurred in May 2018, July 2018 and October 2018 respectively.

2017

Stuttgart

On June 9, 2017, the REIT, through its subsidiary CCE, purchased a 50% interest in TFI Cancorp Stuttgart, a joint venture which owns an office property located in Germany, for a total consideration of € 8,844 ($12,959). This total consideration includes a cash consideration of € 30 ($ 45) paid for equity, a 6.5 % interest-bearing loan of € 8,814 ($ 12,914) repayable the date the Joint Venture Agreement terminates. The difference between the total consideration disclosed in the above table ($ 165) corresponds to the accounting loss of Cancorp Caesar S.à r.l., entity which has been merged subsequently to the acquisition.

SCI Delizy Diamants ("Pantin Investment")

On August 29, 2017, the REIT, through its subsidiary INOPCI 1, completed for a total cash consideration of € 5,926 ($ 8,682) its 50% interest in SCI Delizy Diamants ("Pantin Investment"), a joint venture which acquired an office property located in France. This total consideration is composed of a cash consideration paid of €1 ($1) for the equity interest and a 9% interest-bearing loan of € 5,925 ($8,681), repayable the date the Joint Venture Agreement terminates.

Neu Isenburg

On June 9, 2017, the REIT, through its subsidiary CCE, purchased a 50% interest in Neu Isenburg, a joint venture which owns an office property located in Germany, for a total consideration of € 8,347 ($12,230). This consideration is composed of an equity interest for € 6,017 ($ 8,816) and an 8.7% interest-bearing loan of € 2,330 ($ 3,414) repayable the date the Joint Venture Agreement terminates.

Cologne

On December 31, 2017, the REIT sold 43% of the shares held in Cologne and 43% of the interest-bearing loan to the joint venture partner for a total consideration of € 3,789 ($ 5,552). The transaction generated a gain of € 575 ($ 843) recognized in the consolidated statement of earnings as "Gain on partial disposal of investment in joint venture".

Summarized financial information for joint ventures

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

Summarised balance sheet	CCD		Walpur		Arcueil		Cologne		Stuttgart		Delizy		Neu Isenburg		Kösching	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Current assets																
Cash and cash equivalents	1,429	817	2,172	1,405	437	3,156	896	590	3,002	3,630	1,883	2,415	3,127	695	949	
Other current assets	1,024	871	23	317	267	353	475	524	869	814	1,951	3,546	1,532	88	71	
Total current assets	**2,453**	**1,688**	**2,195**	**1,722**	**704**	**3,509**	**1,371**	**1,114**	**3,871**	**4,444**	**3,834**	**5,961**	**4,659**	**783**	**1,020**	
Non-current assets	**81,490**	**79,807**	**35,501**	**34,017**	**140,112**	**135,281**	**36,816**	**31,423**	**69,663**	**66,547**	**41,288**	**40,028**	**61,360**	**57,795**	**43,533**	
Current liabilities																
Financial liabilities	259	250	75	73	3,424	2,994	840	867	139	144	1,007	1,043	89	1,208	97	
Other current liabilities	1,065	803	263	340	1,939	3,251	13,519	12,831	559	1,792	2,368	3,972	607	2,916	916	
Total current liabilities	**1,324**	**1,053**	**338**	**413**	**5,363**	**6,245**	**14,359**	**13,698**	**698**	**1,936**	**3,375**	**5,015**	**696**	**4,124**	**1,013**	
Non-current liabilities																
Financial liabilities	69,395	66,883	27,524	26,517	66,247	67,412	21,453	20,703	64,056	63,535	42,771	42,105	44,759	38,437	26,841	
Other non-current liabilities	3,204	3,003	978	787	4,018	4,200	-	-	4,320	851	-	-	3,671	4	2,701	
Total non-current liabilities	**72,599**	**69,886**	**28,502**	**27,304**	**70,265**	**71,612**	**21,453**	**20,703**	**68,376**	**64,386**	**42,771**	**42,105**	**48,430**	**38,441**	**29,542**	
Net assets	**10,020**	**10,556**	**8,856**	**8,022**	**65,188**	**60,933**	**2,375**	**(1,864)**	**4,460**	**4,669**	**(1,024)**	**(1,131)**	**16,893**	**16,013**	**13,998**	
REIT's share in %	50%	50%	50%	50%	25% [1]	25% [1]	6%	6%	50%	50%	50%	50%	50%	50%	50%	
REIT's share in CAD	5,010	5,278	4,428	4,011	16,672	13,780	143	(112)	2,230	2,335	(512)	(566)	8,447	8,007	6,999	
Goodwill [2]									1,349				1,645			
Acquisition costs	-	-	2	2			14	13	-	-	-	-	804		871	
Loans to Joint Ventures	15,564	15,020	4,946	4,773			825	797	12,876	13,300	9,265	8,941	4,568	3,515	2,557	
Carrying amount	**20,574**	**20,298**	**9,376**	**8,786**	**16,672**	**13,780**	**982**	**698**	**16,455**	**15,635**	**8,753**	**8,375**	**15,464**	**11,522**	**10,427**	

(1) The REIT is entitled to receive a 25% share of the net earnings and, upon asset disposal, 75% of the variance of fair value of investment properties, reduced by 100% of foreign exchange derivative costs.

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

Summarised statement of comprehensive income	CCD		Walpur		Arcueil		Cologne		Stuttgart		Delizy		Neu Isenburg		Kösching	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Net rental earnings	**4,922**	**4,786**	**1,886**	**2,220**	**9,832**	**9,417**	**1,740**	**1,656**	**4,250**	**2,437**	**2,729**	**984**	**3,542**	**45**	**2,188**	
Administration expenses	(560)	(601)	(255)	(262)	(1,470)	(1,449)	(34)	(57)	(664)	(396)	(681)	(200)	(699)	(8)	(472)	
Net change in fair value of investment properties	(1,392)	586	245	2,455	(71)	292	4,161	347	1,707	7,041	268	(2,646)	1,493	-	933	
Gain on bargain purchase	-	-	-	-	-	-	-	-	-	-	-	2,910	-	-	-	
Acquisition costs	-	-	-	-	-	-	-	-	-	(2,287)	-	(506)	1,249	(2,103)	(990)	
Loss on financial instruments at FVTPL	-	-	-	-	182	278	-	-	-	-	(140)	(56)	-	-	-	
Loss recognized on exercise of early paymt option	-	-	-	-	-	-	-	-	-	-	0	(892)	-	-	-	
Finance income	-	-	-	-	1,163	0	-	-	-	-	59	25	-	-	-	
Finance costs	(3,986)	(3,817)	(1,187)	(1,137)	(5,918)	(7,978)	(1,654)	(1,595)	(2,287)	(1,191)	(2,089)	(720)	(1,627)	(15)	(988)	
Current income tax (expense) income	(2)	(2)	-	-	(316)	(114)	-	-	(14)	-	-	-	(77)	(1)	28	
Deferred income tax (expense)	119	(177)	(158)	(412)	(236)	(350)	-	-	(723)	(826)	-	-	(403)	(2)	(237)	
Profit (loss) for the year	**(899)**	**775**	**531**	**2,864**	**3,166**	**96**	**4,213**	**351**	**2,269**	**4,779**	**146**	**(1,101)**	**3,478**	**(2,084)**	**462**	
REIT's share in %	50%	50%	50%	50%	25% [1]	25% [1]	6%	6%	50%	50%	50%	50%	50%	50%	50%	
Excess of fair value over purchase price on acquisition [1]															1,339	
Share of net earnings (loss) from investments	**(450)**	**388**	**266**	**1,432**	**2,340**	**(217)**	**253**	**21**	**1,135**	**2,390**	**73**	**(551)**	**1,739**	**(1,042)**	**1,570**	**-**

(1) On the date of acquisition, the fair value of the REIT's share of the net assets of the joint venture was higher than the acquisition cost. Accordingly, a gain of $1,339 was included in the share of net earnings of the joint venture.

Note 8 – Acquisition loan

At the end of the year, the outstanding balances of the acquisition loans were as follows:

	As at December 31, 2018	As at December 31, 2017
Rueil loan	25,719	25,903
Acquisition loan	**25,719**	**25,903**

In 2016, the REIT committed to fund a €21.7 million ($34.5 million) acquisition and redevelopment loan to a company 80% owned by Inovalis SA related to a property located in Rueil, in Paris Western periphery. The facility amount has been drawn in several instalments. The loan bears an annual interest rate of 8.50% and has an initial maturity as of December 2020, with 2 one-year renewal at the option of the borrower. Moreover, the REIT owns a call option to buy, subject to the approval of the senior lender, 20% of the Rueil SCCV (the entity performing the redevelopment) at a nominal amount, for a 10 year period.

As at December 31, 2018, €17.2 million ($26.8 million) was funded by the REIT as a loan. The remaining commitment amounting to €4.5 million has been permanently cancelled. The loan is secured by a 2nd rank share pledge that would enable the REIT to obtain 80% of the shares of Rueil SCCV.

Advance interests payments have been received by the REIT. These advance interests payments partially cover accrued interest at 8.5% due on the loan for subsequent financial periods ending June, 2020. Advance payments related to the accrued interests have been classified as deferred income. As at December 31, 2018 and December 31, 2017, advance payments related to accrued interest for future periods amount respectively to $3,378 and $5,462, of which $1,099 and $3,260 were presented as non-current liabilities.

Following the significant change in fair value in 2018, the derivative (call option) is presented separately (refer to note 9).

Note 9 – Derivative financial instruments

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

		Period covered		Conversion from/to			As at December 31, 2018			
Classification and type	**Number of contratcs**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Derivatives designated for hedge accounting										
Foreign exchange	4	11/01/2019	12/04/2019	659	1,000	1.5180	4,000	(127)	(127)	
Foreign exchange	4	10/01/2019	10/04/2019	204	300	1.4734	1,200	(76)	(76)	
Foreign exchange	18	10/05/2019	09/10/2020	792	1,300	1.6412	23,400	572	266	306
Other derivatives										
Derivative on acquisition loan								6,750	6,750	
Other derivatives formerly designated for hedge accounting								-		
Interest rate SWAP	1	01/01/2019	01/07/2019	Variable	Fixed	0.685%	74,968	(363)	(363)	
Interest rate CAP	2	31/12/2018	05/05/2019	Variable	Capped	2.000%	53,166	-	-	-
Interest rate SWAP	1	01/01/2019	23/12/2021	Variable	Fixed	0.394%	19,527	(299)	(133)	(166)
Interest rate SWAP	1	01/01/2019	10/01/2023	Variable	Fixed	0.282%	53,505	(635)	(343)	(292)
Interest rate CAP	2	31/12/2018	31/12/2024	Variable	Capped	1.000%	67,179	(1,305)	(367)	(938)
								4,517	**5,607**	**(1,090)**

		Period covered		Conversion from/to			As at December 31, 2017			
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Derivatives designated for hedge accounting										
Foreign exchange	16	12/01/2018	12/04/2019	663	1,000	1.5077	16,000	(189)	(118)	(71)
Foreign exchange	16	12/01/2018	10/04/2019	205	300	1.4651	4,800	(200)	(141)	(59)
Other derivatives formerly designated for hedge accounting								-		
Interest rate SWAP	1	01/01/2018	01/07/2019	Variable	Fixed	0.685%	-	(1,070)	(652)	(418)
Interest rate CAP	2	31/12/2017	05/05/2019	Variable	Capped	2.000%	-	-		
Interest rate CAP	2	31/12/2017	05/05/2019	Variable	Capped	2.000%	51,306	(244)	(142)	(102)
Interest rate SWAP	1	01/01/2018	23/12/2021	Variable	Fixed	0.394%	19,455	(204)	(263)	59
								(1,907)	**(1,316)**	**(591)**

On April 5th, 2018, the REIT entered into 18 new monthly foreign currency hedge contracts whereby the REIT will purchase $1,300 each month at a weighted average exchange rate of 1.6412 Canadian dollars per euro. These contracts, together with the other foreign exchange contracts, have been designated as hedges of the REIT'S net investment in a foreign operation.

On July 1st, 2017, the REIT discontinued the application of the hedge accounting to its interest rate swap and cap relationships. During the year, an amount of $ 673 (2017 - $ 439) was reclassified from other comprehensive income to net earnings. The remaining amount to be reclassified in future periods amounts to $ 404 (amounted initially to $ 1,459 at July 1, 2017). This amount will be fully amortized in 2019.

Derivative on acquisition loan

Under the call option, the REIT is granted an option for the purchase of 20% of the shares of the SCCV entity holding the property for an exercise price equal to the nominal share value.

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

In 2018, Rueil SCCV executed lease agreements and construction contracts that significantly change the expected profitability of the redevelopment, resulting in an increase in the value of the call option.

Following the significant change in fair value in 2018, the derivative (call option) is presented separately in the table above.

Note 10 – Trade receivables and other financial assets

	As at December 31, 2018	**As at December 31, 2017**
Trade receivables	1,761	2,360
Trade receivables - Inovalis SA	52	498
Provision for impairment of trade receivables	-	(365)
Trade receivables	**1,813**	**2,493**
Other receivables	1,037	1,930
Other receivables - Inovalis SA	796	90
Other receivables - joint ventures	-	53
Interest receivables - Joint ventures	354	626
Loan receivable deposit	-	1,267
Other current financial assets	**2,187**	**3,966**
Total trade receivables and other financial assets	**4,000**	**6,459**

At December 31, 2017, the other current financial assets include the 50% share of the deposit pertaining to the Ingolstadt forward purchase that is borne by the partner on this transaction (see details in Note 7), amounting to $1,267 including accrued interest at a rate of 9.5%. The full amount, including interests, was repaid during the year.

Note 11 – Other current assets

	As at December 31, 2018	As at December 31, 2017
VAT and other sales tax receivables	987	1,289
Prepaid expenses	93	106
Other current assets	**1,080**	**1,395**

Note 12 – Assets held for sales

In January 2019, the REIT sold its interest in the Hanover property to a third party. The REIT sold a disposal group of 11,661 € ($ 18,235) for a total consideration of 11,264 € ($17,614), which will result in an immaterial impact on earnings in the 1st quarter of 2019.

To facilitate the transaction, entities owned by Inovalis SA and a company controlled by a Trustee were engaged to facilitate a securitization structure and as such hold the voting interests in the property. However, pursuant to the securitization structure such interests have been pledged to the purchaser and such parties have no economic interest in the property, other than the receipt of fees for providing their services as the securitization entities.

Assets and liabilities are presented on the dedicated balance-sheet lines "Assets held for sale" and "Liabilities related to assets held for sale".

Assets	*Note*	As at December 31, 2018
Non-current assets		
Investment property	*6*	39,030
Total non-current assets		**39,030**
Current assets		
Trade and financial assets	-	62
Other current assets	-	51
Cash	-	884
Total current assets		**997**
Total assets		**40,027**

Liabilities	*Note*	As at December 31, 2018
Non-current liabilities		
Mortgage loans	*15*	19,523
Deferred tax liabilities	*23*	1,508
Total non-current liabilities		**21,031**
Current liabilities		
Trade and other payables	-	723
Other current liabilities	-	38
Total current liabilities		**761**
Total liabilities		**21,792**
Net assets held for sale		**18,235**

Note 13 – Restricted cash

The restricted cash includes a guaranty deposit of € 1,000 ($ 1,564) (2017 - $ 1,509) in relation to the finance lease agreement in place for the Metropolitan investment property (refer to Note 15). The guaranty deposit should be repaid at the latest at the maturity date of the finance lease agreement.

Note 14 – Promissory Notes

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

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

The Trust has the right to require the Investor to sell, at any time, all or any portion of the Promissory Notes (the "Call Option") by delivering units of the Trust equal to the amount of Promissory Notes being acquired divided by the applicable Conversion Rate.

The Equivalent Trust Units are the number of Units the Trust would issue if it was to settle the Put Option or the Call Option for 100% of the Promissory Notes by issuing units.

Promissory Notes were issued as follows:

	Issue Date	Maturity Date	Notional value (in 000's of €)	Interest rate	Isuance Fee (in 000's of €)	Distribution Threshold	Equivalent Trust Units	Conversion Rate
Notes 1	22-Jun-17	22-Jun-20	8,620	8,18%	274	$ 0.06900	1,360,449	6.72280
Notes 2	4-Oct-17	4-Oct-20	7,262	8,13%	218	$ 0.06900	1,091,103	6.65570
Notes 3	19-Apr-18	19-Apr-21	13,584	7,95%	408	$ 0.06875	2,121,008	6.40450
Total Promissory Notes			**29,466**		**900**		**4,572,560**	

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

The fair value of the Promissory Notes (including the Put Option and Call Option) is estimated at $ 42,471 as at December 31, 2018 (2017 - $ 23,789).

				As at December 31, 2018	
	Principal (in 000's of €)	Principal (in 000's of $)	Interest rate	Equivalent Trust Units	Carrying value of the Promissory Notes
Notes 1	8,620	13,479	8,18%	1,282,190	12,117
Notes 2	7,262	11,355	8,13%	1,091,103	10,311
Notes 3	13,584	21,242	7,95%	2,121,008	20,043
Total Promissory Notes	**29,466**	**46,076**		**4,494,301**	**42,471**

				As at December 31, 2017	
	Nominal value (in 000's of €)	Nominal value (in 000's of $)	Interest rate	Equivalent Trust Units	Carrying value of the Promissory Notes
Notes 1	8,620	13,008	8,18%	1,295,001	12,911
Notes 2	7,262	10,958	8,13%	1,091,103	10,878
Total Promissory Notes	**15,882**	**23,966**		**2,386,104**	**23,789**

Note 15 – Mortgage loans and finance lease liabilities

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

As at December 31, 2018

Entity	Nominal value (in 000's of €)	Nominal value (in 000's of $)	Interest rate	Maturity	Total	Non-current	Current
Mortgage loan - Jeûneurs SCI	29,028	45,391	Euribor 3M + 1.75% [2]	26/10/2027	44,925	43,767	1,158
Mortgage loan - Véronèse SCI [1]	7,675	12,001	Euribor 3M + 1.75% [2]	05/05/2019	12,006	-	12,006
Mortgage loan - Sablière SCI	12,488	19,527	Euribor 3M + 1.59% [3]	23/12/2025	19,427	18,705	722
Mortgage loan - Baldi SCI	13,934	21,789	Euribor 3M + 1.75% [2]	26/10/2027	21,621	20,919	702
Mortgage loans	**63,125**	**98,708**			**97,979**	**83,391**	**14,588**
Mortgage loan - CancorpHanover GmbH KG [1]	12,600	19,703	Euribor 3M + 1.45%	31/12/2022	19,523	19,523	-
Mortgage loans classified as held for sale	**12,600**	**19,703**			**19,523**	**19,523**	**-**
Finance lease liabilities - BBA SCI	43,678	68,299	Euribor 3M + 2.00% [3]	20/06/2026	73,679	68,299	5,380
Finance lease liabilities - Metropolitain SCI	33,413	52,248	Euribor 3M + 1.85% [3]	20/03/2028	53,505	52,248	1,257
Finance lease liabilities	**77,091**	**120,547**			**127,184**	**120,547**	**6,637**
Total mortgage loans and finance lease liabilities	**152,816**	**238,958**			**244,686**	**223,461**	**21,225**

As at December 31, 2017

Entity	Nominal value (in 000's of €)	Nominal value (in 000's of $)	Interest rate	Maturity	Total	Non-current	Current
Mortgage loan - Jeûneurs SCI	30,000	45,270	Euribor 3M + 1.75% [2]	26/10/2027	44,780	43,352	1,428
Mortgage loan - Véronèse SCI [1]	7,675	11,582	Euribor 3M + 1.75% [2]	05/05/2019	11,592	11,592	-
Mortgage loan - Sablière SCI	12,893	19,456	Euribor 3M + 1.59% [3]	23/12/2025	19,326	18,737	589
Mortgage loan - CancorpHanover GmbH KG [1]	12,600	19,013	Euribor 3M + 1.45%	31/12/2022	18,798	18,798	-
Mortgage loan - Baldi SCI	14,500	21,881	Euribor 3M + 1.75%	26/10/2027	21,506	20,863	643
Mortgage loans	**77,668**	**117,202**			**116,002**	**113,342**	**2,660**
Finance lease liabilities - BBA SCI	50,348	75,975	Euribor 3M + 2.00% [3]	20/06/2026	75,975	71,102	4,873
Finance lease liabilities - Metropolitain SCI	34,973	52,774	Euribor 3M + 1.85% [3]	20/03/2028	52,774	51,633	1,141
Finance lease liabilities	**85,321**	**128,749**			**128,749**	**122,735**	**6,014**
Total mortgage loans and finance lease liabilities	**162,989**	**245,951**			**244,751**	**236,077**	**8,674**

(1) *These are debt with no interim capital repayment, and only in fine repayment*
(2) *Interest rate is subject to a CAP – See Note 9 – Financial derivatives and hedging activities*
(3) *Interest rate is subject to a SWAP – See Note 9 – Financial derivatives and hedging activities*

2017

On October 26, 2017 the REIT completed the refinancing of the Baldi and Jeuneurs properties, securing loans of €44.5 million ($65.6 million). After the reimbursement of the existing loans amounting to €39.0 million ($57.5 million), which includes a €6.9million ($10.2 million) partial early repayment of the loan associated with the Courbevoie property, the proceeds from refinancing were €4.8 million ($7.1 million) before a cash reserve of €0.9 million ($1.3 million) and associated refinancing costs.

The impact of the derecognition of the initial finance lease amounting to $122 (€ 83) was recognized in the consolidated statement of earnings under the caption "Loss recognized on exercise of early payment option on finance lease".

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

	As at December 31, 2018		As at December 31, 2017	
Carrying value and minimum lease payments	**Carrying value**	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	6,637	9,719	6,014	8,939
After 1 year, but not more than 5 years	30,979	40,945	28,147	37,234
More than 5 years	89,568	97,942	94,588	101,171
	127,184	**148,606**	**128,749**	**147,344**
Less : future interest costs		(21,422)		(18,595)
Total finance lease liabilities	**127,184**	**127,184**	**128,749**	**128,749**

Payments for each of the next five year of the mortage loans are as follows :

Carrying value and payments	As at December 31, 2018 Carrying value	Payments	As at December 31, 2017 Carrying value	Payments
Within 1 year	14 588	16 641	2 660	4 656
After 1 year, but not more than 5 years	14 024	20 527	42 529	49 501
More than 5 years	69 367	76 713	70 813	79 080
	97 979	**113 881**	**116 002**	**133 237**
Less : future interest costs		(15 902)		(17 235)
Total mortgage loans	**97 979**	**97 979**	**116 002**	**116 002**

Note 16 – Lease equalization loans

As at December 31, 2018

Entity	Interest rate	Maturity	Total (in 000's of €)	Total (in 000's of $)	Non current (in 000's of €)	Current (in 000's of $)
Lease equalization loan - BBA SCI	5%	30/09/2021	1,419	2,219	1,394	825
Lease equalization loan - Véronèse SCI	5%	30/09/2019	60	94	-	94
Lease equalization loan - Baldi SCI	5%	31/12/2021	641	1,002	736	266
Total lease equalization loans			**2,120**	**3,315**	**2,130**	**1,185**

As at December 31, 2017

Entity	Interest rate	Maturity	Total (in 000's of €)	Total (in 000's of $)	Non current (in 000's of €)	Current (in 000's of $)
Lease equalization loan - BBA SCI	5%	30/09/2021	1,934	2,918	2,114	804
Lease equalization loan - Véronèse SCI	5%	30/09/2019	158	239	90	149
Lease equalization loan - Baldi SCI	5%	31/12/2021	852	1,286	992	294
Total lease equalization loans			**2,944**	**4,443**	**3,196**	**1,247**

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

Under the Lease Equalization Agreements, Inovalis SA was required to make payments to the REIT on a quarterly basis during the period commencing on April 16, 2013 and ending on September 30, 2015, corresponding to the difference between the actual lease payments over such period and the average lease payments over the term of the lease, which is $4,596 in the aggregate. The REIT isrequired to make payments to Inovalis SA, on a quarterly basis during the period commencing on January 1, 2016 and ending on September 30, 2021, corresponding to the difference between actual lease payments over such period and the average lease payments over the term of the lease, which is $4,596 in the aggregate, plus 5.00% per annum of such amount, which shall begin to accrue on any amount when such amount is advanced by Inovalis SA.

For Veronèse SCI, Inovalis SA is also required to make payments on a quarterly basis during the period commencing on April 16, 2013 and ending on September 30, 2015, corresponding to the difference between the actual lease payments over such period and the average lease payments over the term of the lease, which is $357 in the aggregate. Véronèse SCI will be required to make payments to Inovalis SA, on a quarterly basis during the period commencing on January 1, 2016 and ending on September 30, 2019, corresponding to the difference between actual lease payments over such period and the average lease payments over the term of the lease, which is $357 in the aggregate, plus 5.00% per annum of such amount which shall begin to accrue on any amount when such amount is advanced by Inovalis SA.

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

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

	As at December 31, 2018		As at December 31, 2017	
Carrying value and payments	**Carrying value**	**Payments**	**Carrying value**	**Payments**
Within 1 year	1 185	1 325	1 247	1 428
After 1 year, but not more than 5 years	2 130	2 240	3 196	3 437
More than 5 years	-	-	-	-
	3 315	**3 565**	**4 443**	**4 865**
Less : future interest costs		(250)		(422)
Total lease equalization loans	**3 315**	**3 315**	**4 443**	**4 443**

Note 17 – Exchangeable Securities

	Exchangeable securities	
Exchangeable securities issued and outstanding	**Number of Exchangeable securities**	**Carrying amount of Exchangeable securities**
Balance - December 31, 2016	**1,808,051**	**16,598**
Asset management fees paid in Exchangeable securities	375,824	3,854
Conversion of Exchangeable securities into units of the REIT	(500,014)	(4,569)
Redemption of Exchangeable securities	(4,491)	(44)
Net change in fair value of Exchangeable securities	-	904
Balance -December 31, 2017	**1,679,370**	**16,743**
Asset management fees paid in Exchangeable securities	229,740	2,280
Conversion of Exchangeable securities into units of the REIT	(1,064,437)	(9,559)
Net change in fair value of Exchangeable securities	-	(1,482)
Balance - December 31, 2018	**844,673**	**7,982**

		As at December 31, 2018	
Exchangeable securities in escrow until internatization of management	**Number in escrow - presented as non-current**	**Number not in escrow - presented as current**	**Total number of Exchangeable securities**
Number of Exchangeable securities - outstanding - beginning of year	692,821	986,549	1,679,370
Partial release of exchangeable securities in escrow	(252,861)	252,861	-
Securities issued in lieu of asset management fees	65,762	163,978	229,740
Securities converted into units	-	(1,064,437)	(1,064,437)
Number of Exchangeable securities - outstanding - end of year	**505,722**	**338,951**	**844,673**
Classification of liabilities for Exchangeable securities ($)	4,779	3,203	7,982

		As at December 31, 2017	
Exchangeable securities in escrow until internatization of management	**Number in escrow - presented as non-current**	**Number not in escrow - presented as current**	**Total number of Exchangeable securities**
Number of Exchangeable securities - outstanding - beginning of year	501,433	1,306,618	1,808,051
Redemption of Exchangeable securities		(4,491)	(4,491)
Securities issued in lieu of asset management fees	191,388	184,436	375,824
Securities converted into units		(500,014)	(500,014)
Number of Exchangeable securities - outstanding - end of year	**692,821**	**986,549**	**1,679,370**
Classification of liabilities for Exchangeable securities ($)	6,907	9,836	16,743

Distributions in respect of Exchangeable Securities:

The Exchangeable Securities entitle the holders, Inovalis SA, to cash distributions from CCE equal, on a per Unit basis, to the distributions paid to holders of Units by the REIT.

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

	2018	2017
Amount payable at the beginning of the year	262	982
Declared and recognized in earnings during the year	1,016	1,618
Distribution on exchangeable securities paid in cash	(1,029)	(2,338)
Amount payable at the end of the year	**249**	**262**

Note 18 – Trade and other payables

	Note	As at December 31, 2018	As at December 31, 2017
Trade payables		1,298	2,264
Trade payables - Inovalis SA		2,108	1,098
Trade payables		**3,406**	**3,362**
Other payables		1,332	920
Other payables - Inovalis SA		219	268
Distributions payable	*24*	1,618	1,529
Distributions payable - Inovalis SA	*17*	249	262
VAT payable		321	431
Other payables		**3,739**	**3,410**
Total trade and other payables		**7,145**	**6,772**

Note 19 – Trust Units

Trust Units

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

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

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

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the Unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 17 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at December 31, 2018, 844,673 Special Voting Units were issued and outstanding (2017 – 1,679,370).

2018

During the year, Inovalis SA converted 1,064,437 Exchangeable Securities in the amount of $9,559 into 1,064,437 units of the REIT (see Note 17 – Exchangeable Securities).

2017

During the year, Inovalis SA converted 500,014 Exchangeable Securities in the amount of $4,569 into 500,014 units of the REIT (see Note 17 – Exchangeable Securities).

Note 20 – Revenue

	2018	2017
Regular rents	26,362	25,838
Amortization of rent free periods (lease incentives)	(928)	(892)
Rental income	**25,434**	**24,946**
Service charge income	7,248	6,908
Total revenue	**32,682**	**31,854**

In 2018, two tenants accounted for more than 10% of rental income: France Telecom (30%), Sparkasse (25%) and Conservatoire National des Arts et Métiers (12%).

In 2017, three tenants account for more than 10% of rental income: France Telecom (29%), Sparkasse (25%) and Conservatoire National des Arts et Métiers (12%).

	As at December 31, 2018	As at December 31, 2017
Within 1 year	21,614	22,716
After 1 year, but not more than 5 years	23,537	27,001
More than 5 years	1,262	1,515
Future minimum lease receivable under non-cancellable operating leases	**46,413**	**51,232**

Note 21 – Administration expenses

	2018	2017
Asset management fees - Inovalis SA	(3,479)	(3,854)
Less : amount reinvoiced to joint ventures	1,532	935
	(1,947)	**(2,919)**
Accounting and fiscal expenses	(1,094)	(979)
Legal expenses	(514)	(525)
Trustee fees	(276)	(289)
Travel expenses	(271)	(133)
Communication expenses	(186)	(85)
Bank expenses	(166)	(89)
Other general and administrative expenses	(769)	(274)
Total administration expenses	**(5,223)**	**(5,293)**

Note 22 – Finance costs and finance income

	2018	2017
Interest costs related to mortgage loans	(2 149)	(1 687)
Interest costs related to finance leases	(2 470)	(2 643)
Interest costs related to lease equalization loans	(183)	(232)
Interest costs related to promissory notes	(3 628)	(857)
	(8 430)	**(5 419)**
Interest SWAP & CAP	(1 610)	(1 235)
Other finance costs	(468)	(325)
	(10 508)	**(6 979)**
Amortization of fair value adjustment on finance leases assumed in combination	-	(65)
Amortization of transaction costs on mortgage loans	(289)	(79)
Finance costs	**(10 797)**	**(7 123)**
Finance income from a company controlled by Inovalis SA relating to the acquisition loan	2 684	1 884
Financial income from joint ventures loans	5 091	4 663
Other finance income	-	271
Finance income	**7 775**	**6 818**

Note 23 – Income taxes

Deferred tax liability	Balance Sheet – As at December 31, 2018	Balance Sheet – As at December 31, 2017	Statement of Earnings – 2018	Statement of Earnings – 2017
Losses carry forward	(0)	(446)	(80)	86
Revaluations of investment properties to fair value	8,428	3,505	(6,539)	(744)
	8,428	**3,059**	**(6,619)**	**(658)**

Numerical reconciliation of income tax expense to prima facie tax payable

Income tax expense	2018	2017
Earnings before income taxes	29 046	20 208
Tax effect of amounts which are not deductible in calculating taxable income:		
Deferred tax on fair value of investment properties	(6 539)	(744)
Deferred tax on losses carried forward	(80)	86
Current income tax expense	(131)	(186)
Income tax expense	**(6 750)**	**(844)**

Note 24 – Distributions

	2018	2017
Amount payable at the beginning of the year	1,529	1,479
Declared and recognised during the year	18,927	17,873
Distributions paid in units (Distribution Reinvestment Plan)	(2,144)	(2,012)
Paid in cash	(16,694)	(15,811)
Amount payable at the end of the year	**1,618**	**1,529**
Distributions paid per unit (based on weighted average number of units outstanding)	0.8229	0.8238
Distributions paid per unit (based on an annual basis)	0.8250	0.8250

In December 2018, the distribution of $1,618 for the month of December was declared, of which $1,435 was paid on January 15, 2019.

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

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

Distributions in respect of Exchangeable Securities are detailed in Note 17 – Exchangeable Securities.

Note 25 – Accumulated other comprehensive income

	As at December 31, 2018	As at December 31, 2017
Net unrealized gains on derivatives designated as a hedge of the net investment in foreign entities	863	1,162
Net unrealized losses on interest rate derivatives formerly designated as a cash flow hedge	(404)	(1,077)
Cumulative translation adjustment account	35,687	24,351
Accumulated other comprehensive income	**36,146**	**24,436**

Note 26 – Risk arising from financial instruments

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

Market risk

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

Interest rate risk

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

The interest rate risk is mitigated by the REIT's strategy using derivative financial instruments on mortgage loans and on the finance lease liabilities. At December 31, 2018, after taking into consideration the effect of interest rate swap and interest rate cap, 92 % of the REIT's long term debt obligation has no exposure to interest rate risk (2017 – 84 %).

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

		As at December 31, 2018	
Interest rate sentivity	**Net debt exposure**	**Impact on profit and loss**	**Impact in Equity**
	19,523		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on profit and loss and equity		(98)	(98)

		As at December 31, 2017	
Interest rate sentivity	**Net debt exposure**	**Impact on profit and loss**	**Impact in Equity**
	40,304		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on profit and loss and equity		(202)	(202)

Currency risk

			As at December 31, 2018
	Exposure to Euro		
Financial assets and liabilities denominated in foreign currencies	**Short-term exposure**	**Long-term exposure**	**Total**
Monetary assets denominated in other than functional currency	20,631	48,807	69,438
Monetary liabilities denominated in other than functional currency	(17,914)	(144,267)	(162,181)
Net exposure in respect of monetary items denominated in other than functional currency	2,717	(95,460)	(92,743)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)	(15,600)	(13,000)	(28,600)
Net exposure	(12,883)	(108,460)	(121,343)

Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	(1,288)	(10,846)	(12,134)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	1,288	10,846	12,134

			As at December 31, 2017
	Exposure to Euro		
Financial assets and liabilities denominated in foreign currencies	**Short-term exposure**	**Long-term exposure**	**Total**
Monetary assets denominated in other than functional currency	17,673	48,629	66,302
Monetary liabilities denominated in other than functional currency	(9,461)	(158,564)	(168,024)
Net exposure in respect of monetary items denominated in other than functional currency	8,212	(109,934)	(101,722)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)	(15,600)	(5,200)	(20,800)
Net exposure	(7,388)	(115,134)	(122,522)

Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	(739)	(11,513)	(12,252)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	739	11,513	12,252

The REIT operates in France and Germany, and the functional currency for these operations is the Euro. The REIT's distributions are paid to Unitholders in Canadian dollars. Thus, the cash available for distribution to Unitholders could be adversely impacted by currency variations. In order to ensure the predictability of distributions to its Unitholders, the REIT has implemented an economic foreign exchange hedging program. As such, the exchange rate relating to 100% of the REIT's current distributions are secured by these foreign currency forward contracts until April 2019 (2017: 85%). Refer to Note 9 for a summary of the foreign exchange contracts in place.

Credit risk

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

Acquisition loan

The risk is covered by the second rank pledge of SCCV Rueil shares as well as the expected gain on property sale performed by the borrower. The transaction was secured by the signing of a 12-year lease agreement with Danone. The construction of the building began and proceeds in accordance with the delivery schedule expected for the second quarter of 2020. An external evaluation values the asset in its future state of completion at an amount significantly above the estimated construction cost.

Accounts receivable

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

Accounts receivable are presented on the consolidated balance sheet, net of allowance for credit losses. This provision is based on the expected recovery percentage of amounts receivable from each tenant and various other indicators, such as a deterioration of the credit situation of a given tenant. Management regularly review accounts receivable and monitors past due balances.

Cash deposit and derivatives

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

Liquidity risk

The REIT's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. Liquidity risk inherent to the financial structure of the business is mainly managed through quarterly updates of short-term cash flow forecasts, follow-up of availability of funding through an adequate amount of committed credit facilities, as well as the status of the maturity of financial assets and liabilities.

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

As at December 31, 2018	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans		16,641	20,528	76,713	113,882
Finance leases principal and interest		9,719	40,945	97,942	148,606
Promissory Notes	913	2,786	49,488		53,187
Lease equalization loans		1,185	2,130		3,315
Exchangeable securities (value of securities plus interest on notes)	174	523	2,787	7,982	11,466
Tenant deposits		687	1,159	1,021	2,867
Derivative financial instruments		363	935	1,305	2,603
Trade and other payables	4,220	2,763	563		7,546
Total	**5,307**	**34,667**	**118,535**	**184,963**	**343,472**

As at December 31, 2017	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans		4,919	49,238	79,080	133,237
Finance leases principal and interest		8,939	37,234	101,171	147,344
Promissory Notes	491	1,600	27,116		29,207
Lease equalization loans		1,247	3,196		4,443
Exchangeable securities (value of securities plus interest on notes)	185	544	2,919	15,321	18,969
Tenant deposits		162	1,523	769	2,454
Derivative financial instruments			1,314	204	1,518
Trade and other payables	4,775	1,567			6,342
Total	**5,451**	**18,978**	**122,540**	**196,545**	**343,514**

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

Classification of financial instruments

The following tables summarize the classification of the REIT's financial instruments as at December 31, 2018 and 2017:

					As at December 31, 2018
	Measured at Fair Value		Measured at amortized cost		
	Derivatives at FVTPL	**Designated at FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to Joint Ventures			50,601		50,601
Acquisition loan			25,719		25,719
Derivative financial instruments	370				370
Call option related to the acquisition loan	6,750				
Trade receivables and other financial assets			4,000		4,000
Restricted cash			1,644		1,644
Cash			19,994		19,994
Total financial assets	**7,120**	**-**	**101,958**	**-**	**102,328**
Financial liabilities					
Promissory notes		42,471			42,471
Mortgage loan				117,502	117,502
Lease equalization loans				3,315	3,315
Tenant deposits				2,867	2,867
Exchangeable securities		7,982			7,982
Derivative financial instruments	2,603				2,603
Trade and other payables				6,785	6,785
Total financial liabilities	**2,603**	**50,453**	**-**	**130,469**	**183,525**

	Measured at Fair Value		Measured at amortized cost		As at December 31, 2018
	Derivatives at FVTPL	**Designated at FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to Joint Ventures			50 601		50 601
Acquisition loan			25 719		25 719
Derivative financial instruments	7 120				7 120
Call option related to the acquisition loan	0				
Trade receivables and other financial assets			4 000		4 000
Restricted cash			1 644		1 644
Cash			19 994		19 994
Total financial assets	**7 120**	**-**	**101 958**	**-**	**109 078**
Financial liabilities					
Promissory notes		42 471			42 471
Mortgage loan				117 502	117 502
Lease equalization loans				3 315	3 315
Tenant deposits				2 867	2 867
Exchangeable securities		7 982			7 982
Derivative financial instruments	2 603				2 603
Trade and other payables				6 824	6 824
Total financial liabilities	**2 603**	**50 453**	**-**	**130 508**	**183 564**

Fair value of financial assets and liabilities

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

As at December 31, 2018	**Fair value hierarchy level**	**Carrying amount**	**Fair value**
Financial assets			
Acquisition loan	3	25 719	25 719
Financial liabilities			
Mortgage loan	2	97 979	97 979
Mortgage loan as held for sale	2	19 523	19 523
Lease equalization loans	2	3 315	3 315
Tenant deposits	2	2 867	2 818

As at December 31, 2017	**Fair value hierarchy level**	**Carrying amount**	**Fair value**
Financial assets			
Acquisition loan	3	25 903	25 903
Financial liabilities			
Mortgage loan	2	116 001	115 920
Lease equalization loans	2	4 443	4 443
Tenant deposits	2	2 454	2 372

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

- The fair value of the acquisition loan is estimated using the nominal amounts expected to be received at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread. The fair value approximates its carrying amount as there were no material changes during the period in the assumptions used for fair value determination at inception.
- The fair values of mortgage loans, lease equalization loans and tenant deposits are estimated using the nominal amounts expected to be repaid at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.

Fair value hierarchy

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

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investment properties	-	-	421 937	421 937
Investment properties - Assets classified as held for sale	-	-	39 030	39 030
Derivative financial instruments - assets	-	7 120	-	7 120
Call option related to the acquisition loan	-	-	6 750	6 750
Derivative financial instruments - liabilities	-	(2 603)	-	(2 603)
Exchangeable securities	-	(7 982)	-	(7 982)
Promissory notes	-	(42 471)	-	(42 471)

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Investment properties	-	-	440 813	440 813
Derivative financial instruments - assets	-	59	-	59
Derivative financial instruments - liabilities	-	(1 966)	-	(1 966)
Exchangeable securities	-	(16 743)	-	(16 743)
Promissory notes	-	(23 789)	-	(23 789)

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2018 (none in 2017).

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

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is in Note 6 – Investment properties. The gains or losses relating to the investment properties are recognized in the consolidated statement of earnings line entitled "Net change in fair value of investment properties". The entire amount of the gain or loss reported on this line in the reporting period is unrealized.

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

- The fair value of the units held in a French euro money market mutual fund which are accounted for as financial current assets, is determined based on its quoted price at December 31, 2017 as there are no more such investment as at December 31, 2018.
- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatilities that are observable on an active market, as at the balance sheet date.
- The fair value of the Exchangeable Securities is based on the quoted price of the REIT's own units, on the basis that they are exchangeable on a one for one basis throughout their life at the request of the unit holders, and upon maturity of the underlying notes, at the request of the REIT. Other features of the Exchangeable Securities have no significant impact on their fair value.

Note 27 – Transactions with related parties

Inovalis SA – Asset manager

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

Unless otherwise stated, none of these transactions incorporated special terms and conditions. Outstanding balances are usually settled in cash, with the exception of management fees to Inovalis SA that were settled quarterly through the issuance of exchangeable securities until Q1 2018 included (refer to Note 17 - Exchangeable Securities). The new management agreement defines that the management fees can be settled quarterly through the issuance of either exchangeable securities or in cash. Since Q2 2018, the management fees were settled half in exchangeable securities and half in cash based on the REIT's projected cash requirements and following the approval of the Board of Trustees.

Inovalis and its subsidiaries	Financial statement line item	Note	2018	2017
Revenues				
Service charge income	Service charge income		-	10
Other services	Other revenues		226	-
Acquisition fees reimbursed	Other revenues	D	240	735
Recharge of costs	Other revenues		1	58
Interest income from acquisition loan	Finance income	22	2,684	1,884
			3,151	**2,687**
Expenses				
Asset management fees	Administration expenses	A	(1,947)	(2,919)
Facilities management fees	Service charge expenses	B	(443)	(468)
Property management Fees	Service charge expenses	C	(1,308)	(1,446)
Expenses related to the distribution for exchangeable securities	Distributions on Exchangeable securities		(1,016)	(1,618)
Reimbursment of travel expenses	Acquisition costs			(71)
Interest expense on lease equalization loans	Finance costs		(183)	(234)
Reimbursment of travel expenses	Administration expenses		(271)	(133)
Trustee fees	Administration expenses		(276)	(289)
			(5,444)	**(7,179)**
Unitholders' Equity				
Conversion of Exchangeable securities into units of the REIT	Issuance of Units	17	(9,559)	(4,569)
Total distributions on Exchangeable securities			**(9,559)**	**(4,569)**
Assets				
Acquisition fees capitalized for the year	Investments in joint ventures	D	429	653
			429	**653**

(A) Asset management fees of $3,479 and $3,854 at December 31, 2018 and December 31, 2017 respectively, correspond to the asset management fees earned for the entire portfolio, including $1,532 and $935 attributable to assets held through joint-ventures. Since April 1, 2018 asset management fees have been reduced from 0.75% to 0.50% and calculated based on the book value of assets. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.
(B) A facility management fee related to the management of service charges that are rebilled directly to tenants;
(C) An annual property management fee (the "Property Management Fee") in an amount equal to 3% of the gross paid revenue from the REIT's properties, payable quarterly in arrears, approximately 90% of which is rebilled to tenants;
(D) See the transactions and balances with joint ventures entities below

	Due from (to) Inovalis SA	
Inovalis and its subsidiaries	**As at December 31, 2018**	**As at December 31, 2017**
Trade and other receivables	848	588
Trade and other payables	(2,327)	(1,366)
Acquisition loan	25,719	25,903
Distributions payable	(249)	(262)
Exchangeable securities	(7,982)	(16,743)
Lease equalization loans	(3,315)	(4,443)
	12,694	**3,677**

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

A. An annual asset management fee (the "Annual Asset Management Fee") in the amount of 0.5% of the Historical Gross Purchase Price of the REIT's properties;
B. A facility management fee related to the management of service charges that are rebilled directly to tenants;
C. An annual property management fee (the "Property Management Fee") in an amount equal to 3.5% of the gross paid revenue from the REIT's properties, payable quarterly in arrears, approximately 90% of which is rebilled to tenants;

Certain service charge expenses and other costs are paid to third parties by Inovalis SA and its subsidiaries on behalf of the REIT and are reimbursed from time to time.

Joint ventures

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

Joint ventures	Financial statement line item	2018	2017
Management fees invoiced to joint ventures	Administration expenses	1,532	935
Acquisition fees [1]	Acquisition costs	100	940
Finance income	Finance income	5,091	4,663
		6,723	**6,538**

(1) An acquisition fee ("Acquisition Fee") in the amount of 1% of the purchase price of any property acquired by the REIT, payable in cash, on completion of each acquisition, provided that no such Acquisition Fee will be payable in respect of the acquisition of properties owned or managed by the Manager. Acquisition fees of 183 € ($ 279) and 572 € ($ 838) at December 31, 2018 and December 31, 2017 respectively, correspond to the acquisition fees earned for the entire portfolio, including 274 € ($429) and 432 € ($653) of acquisition fees capitalized in the investments in joint ventures and 157 € ($ 240) and 503 € ($ 735) of reimbursement to CCE.

		Due from joint ventures	
		As at December 31, 2018	As at December 31, 2017
Loan receivable	Investments accounted for using the equity method	50,601	46,346
Interest receivables	Other current assets	0	626
Accounts receivable	Trade and other receivables	243	61
		50,844	**47,033**

For more information, please refer to Note 7 – Investments accounted for using the equity method.

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 officer of CanCorpEurope. The named 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.

	2018	2017
Wages, fees and other benefits	(276)	(289)
	(276)	(289)

Note 28 – Capital management

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

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

As outlined below, the REIT is meeting this objective in that its total indebtedness was 41.6 % of its GBV as at December 31, 2018 (2017 – 45.7 %).

	2018	2017
Investment properties	421,937	440,813
Investment properties classified as held for sale	39,030	-
Investment accounted for using the equity method	98,703	79,094
Acquisition loan	25,719	25,903
Gross book value	**585,389**	**545,810**
Mortgage loans - non-current	83,391	113,342
Mortgage loans - non-current classified as held for sale	19,523	-
Finance lease liabilities - non-current	120,547	122,735
Lease equalization loan - non-current	2,130	3,196
Mortgage loans - current	14,588	2,660
Finance lease liabilities - current	6,637	6,014
Lease equalization loan - current	1,185	1,247
Total indebtedness	**248,001**	**249,194**
Total indebtedness as a % of Gross Book Value	42.4%	45.7%

Note 29 – Commitments and guarantees

Commitments given

Guarantees provided by the REIT with respect to its long term debts include a preferential claim held by mortgage lenders on the Veronese, Sablière, Baldi and Jeuneurs properties in the amount of € 65,935 ($ 103,103).

The REIT also has a share pledge on the shares of the companies SCI Baldi, SCI BBA and SCI Jeuneurs.

The companies Hanover Cancorp GmbH KG, SCI Baldi, SCI Veronese, SCI Sabliere and SCI Jeuneurs need also to comply with banking covenants. The Trust was in compliance with all covenants at December 31, 2018.

Second row mortgages on the building were also granted by the companies SCI Veronese and SCI Sabliere.

Finally, the company SCI Metropolitain has granted a leasing cash reserve to Locindus for € 1 million ($ 1,56 million).

Tenant commitments received

The companies SCI Metropolitain, SCI Veronese, SCI Sabliere and SCI BBA received bank guarantees for € 4,142 ($ 6,477).

Note 30 – Geographical information

Total revenue by geographic region	Rental income	Service Charge Income	2018	2017
France	23,221	7,220	30,441	29,645
Germany	2,213	28	2,241	2,209
	25,434	**7,248**	**32,682**	**31,854**

Investment properties and investments in joint ventures by grographic region	As at December 31, 2018	As at December 31, 2017
France	447,362	424,353
Germany	73,278	95,554
	520,640	**519,907**
Germany - Asset as held for sale	39,030	
	559,670	**519,907**

Note 31 – Cash flow information

	Note	For the year ended December 31, 2018	For the year ended December 31, 2017
Adjustments for non-cash items and other reconciling items:			
Rent free period	6	926	893
Management fees paid in Exchangeable securities	17	2,280	3,854
Net change in fair value of investment properties	6	(335)	(892)
Net change in fair value of financial derivatives		(4,372)	(1,066)
Net change in fair value of acquisition loan		-	
Distributions recognized on Exchangeable securities	17	1,016	1,618
Net change in fair value of Exchangeable securities	17	(1,482)	904
Net change in fair value of Promissory notes		(1,543)	513
Finance income	22	(7,775)	(6,818)
Finance costs	22	10,797	7,123
Loss recognized on exercise of early payment option on finance leases		-	122
Gain on partial disposal of investment in joint venture		-	(843)
Share of net earnings from investments accounted for using the equity method	7	(6,926)	(2,421)
Net unrealized exchange loss (gain)		(120)	179
Acquisition costs classified in investing activities		-	210
		(7,534)	3,376
Working capital adjustments			
Increase in trade and other receivables	10	1,355	(453)
Decrease in financial current assets	10	1,069	-
Increase in tenant deposits		264	16
(Decrease) Increase in trade and other payables		(1,440)	(1,154)
		1,248	(1,591)

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

Liabilities	As at December 31, 2017	Cash flows	Issuance of exchangeable securities	Conversion into units	Foreign exchange movement	Fair value changes	As at December 31, 2018
Promissory notes	23,789	20,225	-	-	-	(1,543)	42,471
Exchangeable securities	16,743	-	2,280	(9,559)	-	(1,482)	7,982
Mortgage loans [1]	116,002	(2,646)	-	-	4,146	-	117,502
Finance lease liabilities	128,749	(6,096)	-	-	4,531	-	127,184
Lease equalization loans	4,443	(1,261)	-	-	133	-	3,315

(1) Of which $ 19,503 is presented in liabilities directly associated with assets held for sale

Note 32 – Subsequent events

In January, the REIT completed the sale of an investment property – see note 12.

The REIT, through a newly controlled entity, and together with Inovalis SA, acquired on March 27 2019 a new property located near Frankfurt, for approximately €50,000 ($75,000) and financed by a new senior bank loan of €31,200 ($47,000) bearing interest at a fixed rate of 1.56%.

On March 18, 2019 the REIT entered into a new mortgage loan in the amount of €43,000, with a twelve year term and a fixed rate of interest of 2.07% for five years, after which the interest rate is variable based on 1.84% + Euribor 3M. The loan is secured by the Metropolitan investment property. On closing the new loan, the REIT repaid an outstanding loan of €34,020.

On March 21, 2019 the REIT closed a new mortgage loan in the amount of €9,500, with a twelve year term and a fixed rate of 2.13%, after which the interest rate is variable based on 1.90% + Euribor 3M. The loan is secured by the Veronese investment property. On closing, the REIT repaid an outstanding loan of €7,765.

Note 33 – Comparative information

Certain comparative information has been reclassified to conform to the presentation adopted for the current year.

Corporate information

Head office

Inovalis REIT

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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

Distribution Reinvestment Plan

Inovalis has implemented a Distribution Reinvestment Plan ("**DRIP**"). By participating in the Plan, Unitholders have cash distributions from Inovalis REIT reinvested in additional Units as and when cash distributions are made with a "bonus" distribution of Units equal to 3% of the amount of the cash distribution reinvested pursuant to the Plan.

INOVALIS

REAL ESTATE INVESTMENT TRUST

INOVALIS REIT

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