INOVALIS REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020, and 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

David Giraud

Chief Executive Officer

Toronto, Canada, March 24, 2021

Independent auditor's report

To the unitholders of
Inovalis Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of **Inovalis Real Estate Investment Trust** and its subsidiaries [the "Group"], which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group's investment property portfolio is comprised of income-producing properties owned directly with a fair value of $541 million and the Group's share of the fair value of income-producing properties held through investments in joint ventures of $156 million at December 31, 2020. The Group engaged external specialists to value the investment property portfolio. The valuation methodology for these investment properties is based on an income approach, utilizing the direct capitalization method. The valuation of the Group's investment property portfolio is a key audit matter given the inherently subjective nature of significant assumptions including, capitalization rates, and stabilized net operating income adjustments, such as market rental rates and stabilized vacancy. Given the size of the investment property portfolio relative to total consolidated assets of the Group, a relatively minor adjustment in assumptions in the valuation of each individual property can lead to a material difference in the consolidated financial statements. These assumptions are influenced by property-specific characteristics including location, type and quality of the properties and tenancy agreements. Note 3 of the consolidated financial statements describes the accounting policy for investment properties. Note 7 of the consolidated financial statements discloses the valuation method and valuation inputs, as well as the sensitivity of the fair value of investment properties to a change in capitalization rates.	With the assistance of our real estate valuation specialists, we evaluated the appropriateness of the underlying valuation methodology, and performed the following audit procedures, among others: • We assessed the competence, objectivity and capabilities of management's external specialists engaged, by reviewing the qualifications and expertise of the individuals involved in the preparation and review of the valuations and assessed the suitability of the valuation methodology utilized. • For a sample of investment properties, we evaluated the significant assumptions used in the determination of the capitalization rate and the stabilized net operating income adjustments by comparison to the expected real estate market benchmark range for similar assets and tenancies, in similar locations. We also considered whether there were any additional asset-specific characteristics that may impact the significant assumptions utilized and whether these were appropriately included in the overall assessment of fair value. • We assessed the accuracy of management's historical fair value estimates through comparison to a transaction to acquire an investment property completed by the Group during the year. • We evaluated the REIT's critical accounting policies and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Other information

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

- Management's Discussion and Analysis.

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 in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young LLP [1]

Montréal, Canada
March 24, 2021

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

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

Assets	*Note*	**2020**	**2019**
Non-current assets			
Investment properties	*7*	**541,218**	478,700
Investments in joint ventures	*8*	**75,987**	100,782
Derivative financial instruments	*10*	**-**	10
Restricted cash	*13*	**4,874**	4,705
Total non-current assets		**622,079**	**584,197**
Current assets			
Trade receivables and other financial assets	*11*	**6,623**	4,437
Derivative financial instruments	*10*	**15**	10,828
Acquisition loan receivable	*9*	**-**	24,744
Other current assets	*12*	**2,444**	2,093
Restricted cash	*13*	**552**	498
Cash	-	**80,376**	83,409
Total current assets		**90,010**	**126,009**
Total assets		**712,089**	**710,206**
Liabilities and equity	*Note*	**2020**	**2019**
Liabilities			
Non-current liabilities			
Interest-bearing loan	*15*	**474**	473
Mortgage loans	*15*	**152,737**	130,162
Lease liabilities	*15*	**121,813**	116,968
Lease equalization loans	*16*	**-**	343
Tenant deposits	-	**1,490**	1,930
Derivative financial instruments	*10*	**3,091**	2,734
Deferred tax liabilities	*24*	**13,212**	12,295
Exchangeable securities	*17*	**-**	2,695
Total non-current liabilities		**292,817**	**267,600**
Current liabilities			
Interest-bearing loan	*15*	**36**	4
Promissory notes	*14*	**-**	47,909
Mortgage loans	*15*	**4,752**	4,198
Lease liabilities	*15*	**8,474**	6,910
Lease equalization loans	*16*	**371**	1,676
Tenant deposits	-	**1,009**	577
Derivative financial instruments	*10*	**2,382**	1,494
Exchangeable securities	*17*	**9,945**	6,867
Trade and other payables	*18*	**11,052**	34,336
Income tax payable	*24*	**4,069**	-
Deferred income	-	**521**	5,491
Total current liabilities		**42,611**	**109,462**
Total liabilities		**335,428**	**377,062**
Equity			
Trust units	*19*	**286,975**	259,526
Retained earnings	-	**53,350**	57,827
Accumulated other comprehensive income	*26*	**34,913**	14,591
Total Unitholders' equity		**375,238**	**331,944**
Non-controlling interest	*20*	**1,423**	1,200
Total equity		**376,661**	**333,144**
Total liabilities and equity		**712,089**	**710,206**

See accompanying notes to Consolidated Financial Statements

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

Daniel Argiros
Chairman and Trustee (*signed*)

Jo-Ann Lempert
Audit Chair and Trustee (*signed*)

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

	Note	**2020**	**2019**
Rental revenue	*21*	**28,858**	25,524
Property operating cost recoveries	*21*	**6,850**	7,966
Property operating costs	*22*	**(8,889)**	(10,586)
Other revenues	-	**59**	447
Other property operating expenses	-	**(278)**	(362)
Net rental income		**26,600**	**22,989**
General and administrative expenses	*22*	**(7,864)**	(6,548)
Foreign exchange gain	-	**2,460**	-
Net change in fair value of investment properties	*7*	**(7,431)**	16,722
Loss on disposal of investment properties	-	**-**	(56)
Gain on acquisition of control of joint venture	*6*	**207**	-
Share of net (loss) income from joint ventures	*8*	**(6,524)**	11,782
Operating earnings		**7,448**	**44,889**
Net change in fair value of Financial derivatives	-	**1,166**	815
Net change in fair value of Exchangeable securities	*17*	**1,154**	(871)
Net change in fair value of Promissory notes	*14*	**12,730**	(5,438)
Finance income	*23*	**6,620**	8,848
Finance costs	*23*	**(9,972)**	(10,191)
Distributions on Exchangeable securities	*17*	**(825)**	(708)
Income before income taxes		**18,321**	**37,344**
Current income tax expense	*24*	**(4,098)**	(1,733)
Deferred income tax recovery	*24*	**3,990**	920
Total income tax expense		**(108)**	(813)
Net income		**18,213**	**36,531**
Net income attributable to :			
Non-controlling interest	-	**17**	82
Unitholders of the Trust	-	**18,196**	36,449
		18,213	**36,531**

See accompanying notes to Consolidated Financial Statements

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

	Note	2020	2019
Net income for the year	-	**18,213**	**36,531**
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income :			
Net (losses) gains on derivatives designated as a hedge of the net investment in a foreign entity	10	**(3,139)**	1,600
Derivatives designated as cash flow hedges - Net gains	10	**-**	404
Change in cumulative translation adjustment account	-	**23,588**	(23,442)
Other comprehensive income (loss)		**20,449**	**(21,438)**
Total comprehensive income		**38,662**	**15,093**
Total comprehensive income attributable to :			
Non-controlling interest	20	**144**	50
Unitholders of the Trust	-	**38,518**	15,043
Total comprehensive income		**38,662**	**15,093**

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

	Note	Number of Units issued and outstanding	Trust Units	Retained earnings	Accumulated other comprehensive income	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2018		23,513,652	207,442	41,283	35,997	284,722	519	285,241
Issuance of units from exchangeable securities conversion	*19*	90,500	792	-	-	792	-	792
Issuance of units	*19*	4,835,110	51,494	-	-	51,494	-	51,494
Issuance costs	*20*		(3,217)	-	-	(3,217)	-	(3,217)
Distributions earned by or declared to Unitholders	*25*	-	-	(19,905)	-	(19,905)	-	(19,905)
Distributions under the Trust's reinvestment plan	*25*	303,044	3,015	-	-	3,015	-	3,015
Non-controlling interests on acquisition of subsidiary		-	-	-	-	-	930	930
Non-controlling interests on disposal of subsidiary		-	-	-	-	-	(389)	(389)
Capital increase from non-controlling interest		-	-	-	-	-	90	90
		5,228,654	52,084	(19,905)	-	32,179	631	32,810
Net income for the twelve months		-	-	36,449	-	36,449	82	36,531
Other comprehensive loss		-	-	-	(21,406)	(21,406)	(32)	(21,438)
Comprehensive income (loss)		-	-	36,449	(21,406)	15,043	50	15,093
As at December 31, 2019		**28,742,306**	**259,526**	**57,827**	**14,591**	**331,944**	**1,200**	**333,144**
Issuance of units from conversion of promissory notes	*19*	**4,501,938**	**35,110**	-	-	**35,110**	-	**35,110**
Repurchase of Trust Units	*19*	**(989,275)**	**(8,874)**	**1,374**	-	**(7,500)**	-	**(7,500)**
Distributions earned by or declared to Unitholders	*25*	**-**	**-**	**(24,047)**	**-**	**(24,047)**	-	**(24,047)**
Distributions under the Trust's reinvestment plan	*25*	**145,616**	**1,213**	-	**-**	**1,213**	**-**	**1,213**
Capital increase from non-controlling interest		-	-	-	-	-	**79**	**79**
		3,658,279	**27,449**	**(22,673)**	-	**4,776**	**79**	**4,855**
Net income for the twelve months		**-**	**-**	**18,196**	**-**	**18,196**	**17**	**18,213**
Other comprehensive income		**-**	**-**	**-**	**20,322**	**20,322**	**127**	**20,449**
Comprehensive income		**-**	**-**	**18,196**	**20,322**	**38,518**	**144**	**38,662**
As at December 31, 2020	*25*	**32,400,585**	**286,975**	**53,350**	**34,913**	**375,238**	**1,423**	**376,661**

See accompanying notes to Consolidated Financial Statements

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

	Note	2020	2019
Operating activities			
Income before income taxes	-	**18,321**	37,344
Interest received	-	**5,910**	8,816
Interest paid	-	**(9,972)**	(10,079)
Income tax paid	-	**(29)**	(1,733)
Distributions in respect of exchangeable securities paid in cash	-	**(810)**	(707)
Adjustments for non-cash items and other reconciling items	*33*	**2,888**	(20,346)
		16,308	**13,295**
Working capital adjustments	*33*	**(18,973)**	10,199
Net cash flows related to operating activities		**(2,665)**	**23,494**
Investing activities			
Investment properties (additions and capitalized letting fees)	*6*	**(2,171)**	(1,819)
Investment properties (disposition of Vanves property)	*7*	**-**	136,330
Acquisitions of Investment property - Walpur property	*6*	**(4,906)**	-
Acquisitions of investment property - Arcueil property	*6*	**-**	(81,620)
Proceeds from sale of investment property	*7*	**-**	15,960
Investments in joint ventures	*8*	**(1,627)**	-
Distribution from joint ventures	*7*	**12,430**	-
Loan repayments received from joint ventures	*8*	**2,881**	1,723
Payment received for acquistion loan	*9*	**26,261**	-
Restricted cash for Trio properties capex	*6*	**-**	(4,077)
Decrease (increase) in other financial assets	-	**128**	(1,294)
Increase in financial current assets	-	**-**	1,465
Net cash flows related to investing activities		**32,996**	**66,668**
Financing activities			
Distributions to unitholders	*25*	**(22,585)**	(16,529)
Repayment of promissory notes	*14*	**(55)**	-
Proceeds from issuance of units	-	**-**	51,494
Issuance unit costs	*19*	**-**	(2,596)
Repurchase of Trust Units	*19*	**(7,500)**	-
Mortgage loans net of transaction costs	*15*	**-**	60,410
Lease liabilities net of transaction costs	*15*	**-**	62,525
Repayment of mortgage loans	*15*	**(3,170)**	(52,437)
Repayment of lease liabilities	*15*	**(1,978)**	(121,877)
Repayment of interest bearing loan	-	**(131)**	(5,649)
Repayment of lease equalization loans	-	**(1,756)**	(1,090)
Net cash flows related to financing activities		**(37,175)**	**(25,749)**
Net increase (decrease) in cash		**(6,844)**	**64,413**
Effects of foreign exchange adjustments on cash	-	**3,811**	(998)
Cash at the beginning of the year		**83,409**	**19,994**
Cash at the end of the year		**80,376**	**83,409**

See accompanying notes to Consolidated Financial Statements

Note 1 – Organization

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

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

The REIT's Consolidated Financial Statements for the year ended December 31, 2020, were authorized for issuance by the Board of Trustees on March 24, 2021.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France and Germany, to manage certain functions. Refer to Note 3 – Significant accounting policies, and to Note 29 – Transactions with related parties, for information regarding the services provided by Inovalis SA to the REIT.

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

Note 2 – Basis of presentation and statement of compliance

Statement of compliance

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

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

Basis of presentation

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

- Investment properties (including right-of-use assets);
- Promissory notes;
- Call options related to the acquisition loan
- Exchangeable securities;
- Derivative financial instruments.

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

Note 3 – Significant accounting policies

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

New accounting standards adopted

The REIT applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

i) **Amendments to IFRS 16, Leases – Covid-19 Related Rent Concessions:**
On May 28, 2020, the IASB amended IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at May 28, 2020. The REIT decided to early adopt this amendment beginning June 30, 2020 and has applied the practical expedient provided by this amendment to all rent concessions that meet its conditions.

ii) **Amendments to IAS 1, Presentation of Financial Statements ("IAS 1") and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") – Definition of Material:**
In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the REIT.

iii) **Amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 9, *Financial Instruments* ("IFRS 9") and IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") – Interbank Offered Rate (IBOR) Reform:**
The IASB published Phase 1 of its amendments to IFRS 7, IFRS 9, and IAS 39 in September 2019 to provide relief from the potential effects of the uncertainty arising from Interbank Offered Rate (IBOR) reform, focusing in particular on the period prior to replacement of interbank offered rates. These amendments modify hedge accounting requirements, allowing the REIT to assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based are not altered as a result of IBOR reform, thereby allowing hedge accounting to continue. Mandatory application of the amendments ends at the earlier of when the uncertainty regarding the timing and amount of interest rate benchmark-based cash flows is no longer present and the discontinuation of the hedging relationship. These amendments have no impact on the consolidated financial statements of the REIT.

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

Note 3 – Significant accounting policies (Cont’d)

Basis of consolidation

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

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

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

Name of subsidiary	Principal Activity	Name of the assets	Country of Incorporation and Residence	Proportion of Ownership Interest and Voting Power Held - 2020	Proportion of Ownership Interest and Voting Power Held - 2019
Cancorp Europe SA ("CCE")	Holding Company for European assets		Luxembourg	**85.92%**	**85.92%**
Cancorp Cologne SARL	Investment and holding Company		Luxembourg	**100% held by CCE**	**100% held by CCE**
Walpur Four SAS ("Walpur")	Investment property holding	Bad Homburg Property	France	**100% held by CCE**	**50% joint-venture 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	**N/A**	**100% held by INOPCI 1**
SCI Véronèse	Investment property holding	Courbevoie Property	France	**100% held by INOPCI 1**	**100% held by INOPCI 1**
SCI Metropolitain	Investment property holding	Metropolitain Property	France	**99% held by INOPCI 1**	**99% held by INOPCI 1**
Arcueil SI General Partner SARL	General partner for Arcueil SCS		Luxembourg	**100% held by CCE**	**25% joint-venture held by CCE**
Arcueil SCS ("Arcueil")	Investment and holding Company		Luxembourg	**100% held by CCE**	**25% joint-venture held by CCE**
INOPCI 2	Holding Company		France	**N/A**	**100% held by Arcueil SI Sarl**
Metropolitan LLC	Investment property holding		USA	**100%**	**100%**
Arcueil Holding SAS	Holding Company		France	**N/A**	**100% held by INOPCI 1**
SCI Lenine Arcueil	Investment property holding	Arcueil Property	France	**99.90% held by INOPCI 1**	**100% held by Arcueil Holding SAS**
Cancorp Trio 1	Investment property holding	Trio Properties	Germany	**94.90% held by CCE**	**94.90% held by CCE**
Cancorp Trio 2	Investment property holding	Trio Properties	Germany	**94.90% held by CCE**	**94.90% held by CCE**
Cancorp Trio 3	Investment property holding	Trio Properties	Germany	**94.90% held by CCE**	**94.90% held by CCE**
Cancorp Cologne 2 SARL	Investment and holding Company		Germany	**100% held by CCE**	**N/A**

Also, as further explained in Note 3 under the caption “Exchangeable securities”, the 14.08% interest held by Inovalis SA in CCE and its subsidiaries is presented as a liability rather than a non-controlling interest (refer to Note 17 for details regarding this interest).

Note 3 – Significant accounting policies (Cont’d)

Business combinations

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

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

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

Asset acquisitions

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

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

Foreign currency translation

(a) Functional and presentation currencies

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

(b) Functional and presentation currencies

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

(c) Accounting for transactions and balances in foreign currencies

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

Note 3 – Significant accounting policies (Cont'd)

Foreign currency translation (Cont'd)

(d) Foreign operations

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

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

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

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

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

Investment properties

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

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

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

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

Note 3 – Significant accounting policies (Cont'd)

Joint arrangements

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

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

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

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

As at December 31, the REIT, through its subsidiary 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 - 2020	Porportion of Ownership Interest and Voting Power Held - 2019
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% held by CanCorpCologne Sarl**
TFI Cancorp Stuttgart SARL ("Stuttgart")	Investment property holding	Stuttgart Property	Luxembourg	**50% held by CCE**	**50% held by CCE**
SCI Delizy Diamants ("Delizy")	Investment property holding	Delizy Property	France	**50% held by INOPCI 1**	**50% held by INOPCI 1**
TFI Cancorp Isenburg SARL ("Neu Isenburg")	Investment property holding	Neu Isenburg Property	Luxembourg	**50% held by CCE**	**50% held by CCE**
TFI Cancorp Kosching SARL ("Kösching")	Investment property holding	Kösching Property	Luxembourg	**50% held by CCE**	**50% held by CCE**
SCCV Rueil – Le Lumière	Investment and holding Company	Rueil Property	France	**20% held by CCE**	**N/A**

Note 3 – Significant accounting policies (Cont'd)

Trust units

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

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

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

iii. All Units have identical features;

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

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

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

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

Note 3 – Significant accounting policies (Cont'd)

Financial instruments

Recognition, initial measurement and derecognition

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

Classification and subsequent measurement

Trade receivables 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.

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

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

Acquisition Loan

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

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Exchangeable Securities

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

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

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

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

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

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

Promissory notes

Promissory notes bear interest, are repayable at maturity and include a prepayment option. The REIT and the investors have also call and put options (Note 15). 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. This designation is related to the existence of non-closely related embedded derivatives.

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Tenant deposits

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

Mortgage loans and lease equalization loans

Mortgages loans and lease equalization loans are recognized initially at fair value and subsequently at amortized cost using the effective interest method with transaction cost spread using the same method. These financial liabilities are classified as current liabilities if payment is due within twelve months which can include accrued interest. Otherwise, they are presented as non-current liabilities. Under the effective interest method, the difference between the fair value and the notional amount of these loans assumed in business combinations is deferred and recognized over time until the repayment date.

Trade and other payables

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

Fair value hierarchy of financial and non-financial items

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

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

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

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

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

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

Note 3 – Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and subsequent measurement (Cont'd)

Impairment

The REIT uses the expected credit loss (ECL) model for calculating impairment and recognized expected credit losses as a loss allowance in the consolidated balance sheets if they relate to a financial asset measured at amortized cost. For trade receivables, the REIT applies the simplified approach as permitted by IFRS 9 which requires lifetime expected credit losses be recognized from initial recognition of receivables. The carrying amount of these assets in the consolidated balance sheet is stated net of any loss allowance.

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

Assets held for sale

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

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

Leases

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

As a lessor

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

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

Note 3 – Significant accounting policies (Cont'd)

Leases (Cont'd)

As a lessee

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

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

Revenue recognition

Rental revenue

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

Property operating cost recoveries

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

Finance income and costs

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

Distributions

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

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

Note 3 – Significant accounting policies (Cont'd)

Provisions

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

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

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

Income taxes and levies

IFRIC 21 – Levies

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

Canadian income taxes

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

Foreign taxes

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

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

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

Note 3 – Significant accounting policies (Cont’d)

Income taxes and levies (Cont’d)

Foreign taxes (Cont’d)

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

Segment reporting

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

Note 4 – Critical Accounting Judgments and Estimates

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are presented below:

Business combination

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

Accounting for business combinations under IFRS 3, *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. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues.

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

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

Joint arrangements

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

Note 4 – Critical Accounting Judgments and Estimates (Cont'd)

Valuation of investment property

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13 *Fair Value Measurement.*

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

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 Double Taxation Treaty between France and Luxembourg was ratified on July 2, 2019. As the instruments of ratification have been exchanged between the two countries, the new Double Taxation Treaty ("DTT") came into effect on January 1, 2020.

The increase in tax rates may have a significant impact on the REIT. Management is in the process of restructuring the Luxembourg holding company into a regulated entity that would be subject to the reduced rate of 15% under the DTT (instead of 28% in 2020, 26.5% in 2021, and 25% as from January 1, 2022). Deferred income tax liabilities are based on the rate of 25% and the assumption of the distribution of 50% of the INOPCI 1's net profits arising from capital gains upon the disposition (which results in an effective rate of 12.5%). The REIT will be using 25% rate until the Luxembourg holding company conversion is completed. Regulatory approval is required to convert into a SIF and there is no guarantee that such approval will be obtained.

Deferred tax assets

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

Further details on taxes are disclosed in Note 24.

Critical accounting estimates

COVID-19

The outbreak of COVID-19, which the World Health Organization has declared to constitute a pandemic, has impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The extent and duration of the impact of COVID-19 on communities and the economy remains unclear. In the preparation of these consolidated financial statements, the REIT has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amount of earnings for the reporting period using the best available information as of December 31, 2020. Actual results could differ from those estimates. The estimates and assumptions that the REIT considers critical and/or could be impacted by COVID-19 include those underlying the valuation of investment properties, the valuation of its investments in joint ventures, the estimate of any expected credit losses on amounts receivable including loans to joint ventures, and determining the fair values of derivative financial instruments.

Note 5 – Future changes in accounting policies

The REIT monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the REIT's operations.

Standards issued but not yet effective up to the date of issuance of these consolidated financial statements are described below. This description is of the standards and interpretations issued that the REIT reasonably expects to be applicable at a future date. The REIT intends to adopt the following standard when it becomes effective:

Amendment to IAS 1, *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-Current:

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of this amendment.

IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. Management is currently assessing the impact of this amendment.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an Interbank Offered Rate ("IBOR") with a Risk Free Rate ("RFR").

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

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

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16 (Cont'd)

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the REIT's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting. The REIT will apply IBOR reform Phase 2 from 1 January 2021. Management is currently assessing the impact of this amendment.

Note 6 – Acquisition of investment properties

Walpur

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

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

The Walpur acquisition includes an unrecognized deferred tax liability of €1,421 ($2,210) in relation to the IAS 12 recognition exemption on acquisition of assets.

The REIT has elected to remeasure its previously held interests in the acquired assets and liabilities to their acquisition-date-fair values, resulting in a gain on remeasurement of €135 ($207).

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

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

(1) Including cash of €2,504 ($3,894)

Transactions that occurred in 2019

Arcueil property

On December 18, 2019, the REIT acquired an investment property, namely the Arcueil property, previously held in a joint venture accounted for using the equity method and in which the REIT has a 25% interest. The REIT bought the shares and a payable to the seller of ARCUEIL HOLDING SAS, which holds an interest of 99.99% in SCI LENINE ARCUEIL, which entity holds a lease liability in respect of the right-of-use asset of the Arcueil property, for a total consideration of €46,739 ($68,122).

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

The REIT also incurred acquisition costs of € 197 ($287) in regard to this transaction. The REIT acting as a general manager of the investment property, the acquisition costs were limited to legal costs in respect of the transfer of the interest in the investment property previously held by the joint venture entities.

Purchase price allocation	(in 000's of €)	(in 000's of $)
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment property	91,941	134,005
Lease liabilities	(44,279)	(64,537)
Other assets and liabilities (1)	(726)	(1,059)
Total liabilities assumed	**(45,005)**	**(65,596)**
Net asset acquired	**46,936**	**68,409**
Consideration transferred by the REIT for the acquisition consists of the following :		
Acquisition cost	197	287
Cash transfered	37,300	54,365
Balance of sale payable to Arceuil partnership	9,439	13,757
	46,936	**68,409**

(1) Including cash of €205 ($299)

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

Transactions that occurred in 2019 (Cont'd)

Trio

The REIT, through a controlled subsidiary, together with a company controlled by Inovalis SA, acquired on March 27, 2019, a property ("Trio property") located near Frankfurt, for approximately €45,755 ($69,106).

The REIT owns 94.9% of the subsidiary and a company controlled by Inovalis SA owns the remaining 5.1% of the subsidiary.

The REIT bought the shares of Trio subsidiary and interest-bearing loan owned by the seller for a total consideration of €18,125 ($27,376), include transaction costs for a total amount of €1,547 ($2,337).

The Trio property was refinanced by a new senior bank loan of €31,200 ($47,123) bearing interest at a fixed rate of 1.56% which maturity date is March 15, 2024. Pursuant to the new senior bank loan, the interest-bearing loan assumed at acquisition amounting to €3,740 ($5,640) was repaid, as well as the mortgage loan that amounted to €24,495 ($36,996). In addition, a €2,700 ($4,078) reserve for capital expenditures was established and is considered restricted cash as at December 31, 2020.

The REIT has elected to apply the "concentration test" authorized by the amendment to IFRS 3. As the fair value of the acquired gross assets is substantially concentrated in the Trio property, the transaction has been qualified as an acquisition of assets. Therefore, the property acquisition costs, in a total of €47,302 ($71,443), include transaction costs for a total amount of €1,547 ($2,337). No goodwill or deferred tax were recognized.

The TRIO acquisition includes an unrecognized deferred tax liability of €1,991 ($3,007) in relation to the IAS 12 recognition exemption on acquisition of assets.

Purchase price allocation	**(in 000's of €)**	**(in 000's of $)**
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment property	47,302	71,443
Mortgage loan	(24,495)	(36,996)
Interest-bearing loan	(3,740)	(5,649)
Other assets and liabilities (1)	(51)	(80)
Total liabilities assumed	**(28,286)**	**(42,725)**
Net asset acquired	**19,016**	**28,718**
Consideration transferred by the REIT for the acquisition consists of the following :		
Cash	16,578	25,039
Acquisition cost paid	1,547	2,337
Consideration transferred by the REIT	**18,125**	**27,376**
Consideration paid by minority interest :		
Purchase price shares	616	930
Interest-bearing loan	275	412
	891	**1,342**

(1) Including cash of €72 ($109)

Note 7 – Investment properties

Reconciliations of the carrying amounts of investment properties for the years ended December 31, 2020 and 2019 are as follow:

	2020	2019
Balance, beginning of year	**478,700**	**421,937**
Capex	**1,968**	1,545
Acquisition of Bad Homburg investment property held by Walpur 4	**35,057**	-
Acquisition of Trio investment properties including acquisitions costs	**-**	71,443
Acquisition of Arcueil investment property	**-**	134,005
Capitalized letting fees	**203**	274
Disposition of Vanves investment property	**-**	(136,330)
Rent free periods	**241**	141
Net change in fair value of investment properties	**(7,431)**	16,722
Foreign currency translation adjustment	**32,480**	(31,037)
Balance, end of year	**541,218**	**478,700**

Valuation of investment properties

Fair Value

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

Investment properties and properties held for sale are carried at fair value, and the REIT uses significant unobservable inputs to estimate fair value of these assets at each reporting date including capitalization rate and stabilized net operating income. See below for further description of inputs used by the REIT in estimating the fair value of its properties. Significant unobservable inputs are classified as Level 3 inputs under IFRS. See Note 27 for further details.

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

Valuation Processes and Techniques

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The technique used by the REIT is the Direct Capitalization Method (“DC”). In the prior year, the Discounted Cash Flow Method (“DCF”) was used to determine the fair value of properties in Germany. The change in method was made for the Germany properties in order to harmonize the methodology and the reporting for Germany and France properties using the DC method.

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

Note 7 – Investment properties (Cont'd)

Valuation of investment properties (Cont'd)

Valuation Processes and Techniques (Cont'd)

Under the DCF method, a property's fair value is estimated using analysis of the future cash flow generated by the property on a 10-year period associated with a market derived discount rate and exit capitalization rate. The duration of the cash flow and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewals and related lease up periods, reletting, 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 CEO, CIO and CFO. Each year, Inovalis SA appoints an independent real estate valuation expert who is responsible for the valuation of the REIT's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

In addition, the CEO and the CIO are responsible for the internal valuation department in charge of the evaluation of the REIT's properties. Inovalis SA's internal valuation department comprises a certain number of employees that hold relevant internationally recognized professional qualifications and are experienced in valuing the types of property in the applicable locations. External valuations are obtained every six months for the French properties and German properties. For the purpose of preparing the annual consolidated financial statements, all properties are valued by external evaluators as of December 31, 2020.

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

	As at December 31, 2020			As at December 31, 2019		
	France	Germany	Total	France	Germany	Total
Fair value of investment properties for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	**281,350**	**68,700**	**350,050**	283,670	47,000	330,670
Option costs	**(2,112)**	**-**	**(2,112)**	(2,006)	-	(2,006)
Adjusted market value in Euros	**279,238**	**68,700**	**347,938**	**281,664**	**47,000**	**328,664**
Exchange adjustment	**155,117**	**38,163**	**193,280**	128,580	21,456	150,036
Adjusted market value in CAD$	**434,355**	**106,863**	**541,218**	**410,244**	**68,456**	**478,700**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**		Direct Capitalization Method	Discounted cash flow	
Number of years used in cash flow projection					10	
Capitalization rate / discount rate	**4.20% to 7.00%**	**4.90% to 5.75%**		4.20% to 7.00%	5.25%	
Terminal capitalization rate	**5.37%**	**4.90%**		5.38%	-	
Weighted average discount rate	**-**	**-**		-	5.25%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate and/or discount rates	**(19,896)**	**(4,954)**	**(24,850)**	(18,793)	(3,112)	(21,905)
a decrease of 25 bps on the cap rate and/or discount rates	**21,978**	**5,463**	**27,441**	20,759	3,423	24,182

Note 7 – Investment properties (Cont'd)

Valuation of investment properties (Cont'd)

Valuation Processes and Techniques (Cont'd)

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

	As at December 31, 2020			As at December 31, 2019		
	France	Germany	Total	France	Germany	Total
Fair value of investment properties owned in joint ventures for financial reporting purposes						
Market value (in Euros) as estimated by external appraisers	**26,800**	**195,000**	**221,800**	27,700	225,200	252,900
Option costs	**(633)**	**-**	**(633)**	(564)	-	(564)
Adjusted market value in Euros	**26,167**	**195,000**	**221,167**	**27,136**	**225,200**	**252,336**
Exchange adjustment	**14,536**	**108,323**	**122,859**	12,388	102,804	115,192
Adjusted market value in CAD$ - 100%	**40,703**	**303,323**	**344,026**	**39,524**	**328,004**	**367,528**
Adjusted market value in CAD$ - REIT's portion	**21,160**	**135,030**	**156,190**	**20,455**	**148,749**	**169,204**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**		Direct Capitalization Method	Discounted Cash Flow	
Capitalization rate / discount rate	**6.00%**	**3.80%-5.75%**		6.25%	3.90%-5.90%	
Terminal capitalization rate	**6.00%**	**5.43%**		6.25%	5.23%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate and/or discount rates	**(821)**	**(6,063)**	**(6,884)**	(765)	(6,845)	(7,610)
a decrease of 25 bps on the cap rate and/or discount rates	**892**	**6,665**	**7,557**	829	7,543	8,372

Right-of-use asset

The REIT leases various investment properties with a carrying amount of $251,508 (2019 – $235,217) under leases which begin to expire in approximately 7 years (2019: 8 years).

Note 8 – Investments in joint ventures

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

	CCD	Walpur[2]	Arcueil	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	SCCV[3]	Total
Balance -December 31, 2018	20,574	9,376	15,573	982	16,455	8,753	15,464	10,427	-	97,604
Share of net income (loss) from investments [1]	7,273	800	(105)	41	2,700	332	5	736	-	11,782
Loan to joint ventures repayments	-	-	-	-	(451)	-	(922)	(350)	-	(1,723)
Exchange differences	(1,551)	(658)	(1,052)	(68)	(1,173)	(606)	(1,042)	(731)	-	(6,881)
Balance -December 31, 2019	26,296	9,518	14,416	955	17,531	8,479	13,505	10,082	-	100,782
Additional investment of the year	**673**	**-**	**-**	**-**	**-**	**558**	**-**	**-**	**-**	**1,231**
Acquisition costs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**396**	**396**
Investment from exercise of call option	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,218**	**14,218**
Distribution from joint ventures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,430)**	**(12,430)**
Share of net income (loss) from investments [1]	**(5,817)**	**(15)**	**(17)**	**46**	**(6)**	**(1,219)**	**208**	**681**	**-**	**(6,139)**
Impairment of investment in joint ventures[4]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(385)**	**(385)**
Accrued interest on loan receivable prior to acquisition of control	**-**	**28**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28**
Loan to joint ventures repayments	**-**	**-**	**-**	**-**	**(754)**	**-**	**(1,476)**	**(651)**	**-**	**(2,881)**
Exchange differences	**1,701**	**645**	**6**	**66**	**1,179**	**565**	**897**	**686**	**3**	**5,748**
Acquisition of control	**-**	**(10,176)**	**(14,405)**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,581)**
Balance - December 31, 2020	**22,853**	**-**	**-**	**1,067**	**17,950**	**8,383**	**13,134**	**10,798**	**1,802**	**75,987**

(1) *The share of net earnings includes the interest expense in relation to the loans granted to the joint ventures. The interest earned by the REIT in relation to these loans amounts to $3,955 (2019 – $4,866) and are included in "Finance income" (see note 23).*

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

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

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

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

The balance of investments in joint ventures as at December 31, 2020 includes loans to joint ventures for an amount of $40,531 which is detailed as follows:

Loans to joint ventures	CCD[1]	Walpur	Cologne	Stuttgart	Delizy	Neu Isenburg	Kösching	Total
Balance - December 31, 2020	**16,167**	**-**	**821**	**11,568**	**8,383**	**2,077**	**1,515**	**40,531**
Balance -December 31, 2019	14,497	4,806	769	11,550	8,479	3,350	2,038	**45,489**

(1) The Joint Venture Agreement (JVA) on Cancorp Duisburg has expired. Contract negotiations are currently ongoing with the JV partner to extend the JVA until December 31, 2021.

2020

Walpur

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

SCCV Rueil Le Lumiere

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

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

Arcueil

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

Repayments on loans to joint ventures

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

2019

Arcueil

On December 18, 2019, the REIT acquired an investment property, namely the Arcueil Property, previously held in a joint venture accounted for using the equity method and in which the REIT has a 25% interest, discussed further in Note 6.

The carrying amount of the REIT investment in the Arcueil joint venture, following the disposal of Arcueil property, amounts to €9,897 ($14,416) while the exiting partner interest amounts to €35,729 ($52,039), including an additional premium granted for an amount of €2,263 ($3,361), in accordance with the agreement between shareholders. On January 22, 2020, the closing of the transaction, as well as payment of the amounts owed to the exiting partner, occurred.

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

Summarized financial information for joint ventures

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

Summarised balance sheet	CCD		Walpur		Arcueil		Cologne		Stuttgart		Delizy		Neu Isenburg		Kösching		SCCV	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Current assets																		
Cash and cash equivalents	786	1,612	-	2,999	-	54,160	606	800	2,625	2,524	634	556	1,994	2,279	874	971	1,601	-
Other current assets	232	296	-	45	-	13,870	462	430	752	1,035	980	855	368	1,826	150	164	18,157	-
Total current assets	**1,018**	**1,908**	**-**	**3,044**	**-**	**68,030**	**1,068**	**1,230**	**3,377**	**3,559**	**1,614**	**1,411**	**2,362**	**4,105**	**1,024**	**1,135**	**19,758**	**-**
Non-current assets	**90,468**	**93,282**	**-**	**33,941**	**-**	**-**	**38,022**	**34,874**	**74,353**	**70,786**	**41,055**	**39,783**	**59,265**	**56,097**	**43,554**	**41,073**	**-**	**-**
Current liabilities																		
Financial liabilities	17,786	64,920	-	198	-	-	835	789	251	125	1,291	958	272	241	302	86	-	-
Other current liabilities	900	761	-	206	-	4,374	13,325	12,455	654	851	1,774	1,533	768	890	491	828	10,742	-
Total current liabilities	**18,686**	**65,681**	**-**	**404**	**-**	**4,374**	**14,160**	**13,244**	**905**	**976**	**3,065**	**2,491**	**1,040**	**1,131**	**793**	**914**	**10,742**	**-**
Non-current liabilities																		
Financial liabilities	54,277	0	-	25,689	-	-	21,080	19,982	61,310	58,812	42,405	39,004	39,621	39,910	23,990	24,110	-	-
Other non-current liabilities	5,151	5,911	-	1,472	-	-	-	-	5,435	5,107	-	-	3,764	3,449	3,001	2,756	-	-
Total non-current liabilities	**59,428**	**5,911**	**-**	**27,161**	**-**	**-**	**21,080**	**19,982**	**66,745**	**63,919**	**42,405**	**39,004**	**43,385**	**43,359**	**26,991**	**26,866**	**-**	**-**
Net assets	**13,372**	**23,598**	**-**	**9,420**	**-**	**63,656**	**3,850**	**2,878**	**10,080**	**9,450**	**(2,801)**	**(301)**	**17,202**	**15,712**	**16,794**	**14,428**	**9,016**	**-**
REIT’s share in %	50%	50%	50%[2]	50%	25%[1]	25%[1]	6%	6%	50%	50%	50%	50%	50%	50%	50%	50%	20%	0%
REIT’s share in CAD	6,686	11,799	-	4,710	-	14,416	231	173	5,040	4,725	(1,401)	(151)	8,601	7,856	8,397	7,214	1,802	-
Goodwill[2]									1,342	1,256			1,638	1,533			-	
Acquisition costs	-	-	-	2	-	-	15	13	-	-	-	-	818	766	886	830	391	-
Loans to Joint Ventures	16,167	14,497	-	4,806	-	-	821	769	11,568	11,550	9,784	8,630	2,077	3,350	1,515	2,038	-	-
Impairment charge net of foreign exchange impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(391)	
Carrying amount	**22,853**	**26,296**	**-**	**9,518**	**-**	**14,416**	**1,067**	**955**	**17,950**	**17,531**	**8,383**	**8,479**	**13,134**	**13,505**	**10,798**	**10,082**	**1,802**	**-**

(1) The REIT is entitled to receive a 75% share of the net earnings after the 7% annual fixed distribution to the joint venture partner, 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.

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

Summarized financial information for joint ventures (Cont’d)

Summarised statement of comprehensive income	CCD		Walpur		Arcueil		Cologne		Stuttgart		Delizy		Neu Isenburg		Kösching		SCCV	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Net rental earnings	**3,925**	**4,838**	**1,791**	**2,229**	**-**	**9,585**	**1,674**	**1,753**	**4,359**	**3,680**	**1,591**	**2,176**	**3,168**	**3,235**	**2,624**	**2,428**	**-**	**-**
Administration expenses	(726)	(650)	(256)	(214)	-	(1,924)	(47)	(67)	(816)	(712)	(551)	(636)	(759)	(732)	(425)	(437)	-	-
Net change in fair value of investment properties	(12,823)	16,946	(612)	891	-	10,333	765	594	(1,522)	5,707	(1,380)	1,165	(696)	(1,102)	(137)	357	-	-
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	134	-	-	-
Loss on financial instruments at FVTPL	-	-	-	-	-	140	-	-	-	-	15	(31)	-	-	-	-	-	-
Finance income	-	-	-	-	-	-	5	43	-	1	5	-	-	-	-	-	-	-
Finance costs	(3,909)	(3,808)	(957)	(1,142)	-	(5,691)	(1,632)	(1,644)	(2,145)	(2,162)	(2,118)	(2,009)	(1,201)	(1,380)	(628)	(685)	-	-
Loss on disposal of an int.in a subsidiary	-	-	-	-	-	(10,707)	-	-	-	-	-	-	-	-	-	-	-	-
Current income tax (expense) recovery	(2)	(3)	-	-	-	(415)	-	-	93	(9)	-	-	(17)	(15)	(149)	(2)	-	-
Deferred income tax recovery (expense)	1,902	(2,777)	5	(165)	-	2,785	-	-	19	(1,106)	-	-	(80)	3	(58)	(190)	-	-
Profit (loss) for the year	**(11,633)**	**14,546**	**(29)**	**1,599**	**-**	**4,106**	**765**	**679**	**(12)**	**5,399**	**(2,438)**	**665**	**415**	**9**	**1,361**	**1,471**	**-**	**-**
REIT’s share in %	50%	50%	50%	50%	25% [1]	25% [1]	6%	6%	50%	50%	50%	50%	50%	50%	50%	50%	20%	0%
Impairment on equity method investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(385)	-
Share of net earnings (loss) from investments	**(5,817)**	**7,273**	**(15)**	**800**	**(17)**	**(105)**	**46**	**41**	**(6)**	**2,700**	**(1,219)**	**332**	**208**	**5**	**681**	**736**	**(385)**	**-**

(1) *The REIT is entitled to receive a 75% share of the net earnings after the 7% annual fixed distribution to the joint venture partner, and, upon asset disposal, 75% of the variance of fair value of investment properties, reduced by 100% of foreign exchange derivative costs.*

Note 9 – Acquisition loan

As at December 31, the outstanding balances of the acquisition loan were as follows:

	2020	2019
Rueil loan	-	24,744
Acquisition loan	**-**	**24,744**

In 2016, the REIT committed to fund a €21,750 ($33,832) acquisition and redevelopment loan to Rueil SCCV, a company 80% owned by Inovalis SA, related to a property located in Rueil, in Paris Western periphery. The loan bore an annual interest rate of 8.50% and had an initial maturity in December 2020, with two one-year renewals at the option of the borrower, subject to the approval of the REIT. The loan was secured by a 2^{nd} rank share pledge that would enable the REIT to obtain 80% of the shares of Rueil SCCV. In addition to the loan receivable, the REIT received a call option to buy 20% of Rueil SCCV for a nominal amount. On July 30, 2020, a principal repayment of €12,416 ($18,994) was received on the acquisition loan. On October 2, 2020, the REIT exercised the call option (See Note 10). On November 24, 2020, the REIT received the outstanding amount of the acquisition loan including principal in the amount of €4,750 ($7,267) and interest in the amount of €248 ($379).

As at December 31, 2019, the outstanding balance on the loan was €17,166 ($24,744), with the remaining commitment amounting to €4,584 ($7,130) having been permanently cancelled.

Note 10 – 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, 2020			
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										
Other derivatives										
Interest rate FLOOR	2	01/01/2020	21/03/2021	Variable	Floored	0.000%	73,688	15	15	-
								15	**15**	**-**
Derivatives designated for hedge accounting										
Foreign exchange	22	11/01/2021	11/10/2022	1,190	1,800	1.5143	39,600	(1,585)	(930)	(655)
Other derivatives										
Interest rate SWAP	1	01/01/2021	23/12/2021	Variable	Fixed	0.394%	17,849	(165)	(165)	-
Interest rate SWAP	1	01/10/2020	10/01/2023	Variable	Fixed	0.282%	50,647	(825)	(371)	(454)
Interest rate CAP	2	30/09/2020	31/12/2024	Variable	Capped	1.000%	62,499	(1,264)	(342)	(922)
Interest rate SWAP	2	01/10/2020	21/03/2024	Variable	Fixed	0.230%	75,053	(1,634)	(574)	(1,060)
								(5,473)	**(2,382)**	**(3,091)**

		Period covered		Conversion from/to			As at December 31, 2019			
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Derivatives designated for hedge accounting										
Foreign exchange	10	10/01/2020	09/10/2020	786	1,300	1.6534	13,000	1,429	1,429	-
Other derivatives										
Call option related to the acquisition loan								9,124	9,124	-
Other derivatives								-		
Interest rate FLOOR	2	01/01/2020	21/03/2021	Variable	Floored	0.000%	73,688	286	275	10
								10,839	**10,828**	**10**
Other derivatives										
Interest rate SWAP	1	01/01/2020	23/12/2021	Variable	Fixed	0.394%	17,500	(302)	(159)	(143)
Interest rate SWAP	1	01/01/2020	10/01/2023	Variable	Fixed	0.282%	48,666	(858)	(309)	(549)
Interest rate CAP	2	31/12/2019	31/12/2024	Variable	Capped	1.000%	60,642	(1,500)	(333)	(1,167)
Interest rate SWAP	2	01/01/2020	21/03/2024	Variable	Fixed	0.230%	73,688	(1,308)	(433)	(875)
Interest rate SWAP	1	01/01/2020	08/07/2020	Variable	Fixed	0.528%	31,000	(260)	(260)	-
								(4,228)	**(1,494)**	**(2,734)**

On February 5th, 2020, the REIT entered into 24 new monthly foreign exchange forward contracts whereby the REIT will purchase $1,800 each month at a weighted average exchange rate of 1.5143 Canadian dollars per euro. The new contracts cover the period from November 10, 2020 to October 11, 2022. These contracts have been designated as hedges of the REIT'S net investment in a foreign operation.

Note 10 – Derivative financial instruments (Cont'd)

Following the completion of the refinancing of the Metropolitain and Veronese properties on March 18, 2019 and March 21, 2019, the REIT terminated its interest rate cap in Veronese and contracted two new interest rate swaps and two interest rate floors in March 2019. In addition, when the REIT completed the purchase of Arcueil property on December 18, 2019, the REIT recognized Arcueil interest rate swap which matures during the period ended June 30, 2020. These arrangements are settled on a net basis at every interest payment date. The contracts are not designated as part of a hedging relationship. Accordingly, they are classified as financial instruments at fair value through profit or loss, with changes in fair value recognized in profit or loss.

Call option related to the acquisition loan

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

Subsequent to the exercise of the option, the investment in SCCV is accounted for by the REIT using the equity method, see Note 8 for details.

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

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

	As at December 31, 2018	Fair value changes	Foreign exchange movement	Deferred tax on exercise of call option	Conversion into JV investment of Rueil SSCV	As at December 31, 2019
Call option related to the acquisition loan	6,750	2,892	(518)	-	-	**9,124**
Call option related to the acquisition loan	**6,750**	**2,892**	**(518)**	**-**	**-**	**9,124**

Note 11 – Trade receivables and other financial assets

	As at December 31, 2020	As at December 31, 2019
Trade receivables	**3,577**	1,595
Trade receivables - Inovalis SA	**-**	200
Provision for impairment of trade receivables	**(60)**	(60)
Trade receivables	**3,517**	**1,735**
Other receivables	**1,731**	1,747
Other receivables - Inovalis SA	**269**	88
Other receivables - Joint ventures	**-**	507
Interest receivable - Joint ventures	**1,106**	360
Other current financial assets	**3,106**	**2,702**
Total trade receivables and other financial assets	**6,623**	**4,437**

Note 12 – Other current assets

	As at December 31, 2020	As at December 31, 2019
VAT and other sales tax receivables	**2,269**	1,928
Prepaid expenses	**175**	165
Other current assets	**2,444**	**2,093**

Note 13 – Restricted cash

As at December 31, 2020, the restricted cash includes a guarantee deposit of €1,000 ($ 1,555) in relation to the bank loan agreement in place for the Veronese investment property (refer to Note 16) and € 2,489 ($ 3,872), of which €355 ($552) in current assets, in relation to capital expenditure reserve for the TRIO property. The Veronese's guarantee deposit should be repaid at the latest at the maturity date of the financing agreement (March 31, 2031).

As at December 31, 2019, the restricted cash includes a guarantee deposit of € 1,000 ($ 1,456) in relation to the bank loan agreement in place for the Veronese investment property (refer to Note 16) and € 2,572 ($ 3,747), of which €342 ($498) in current assets, in relation to capital expenditure reserve for the TRIO property. The Veronese's guarantee deposit should be repaid at the latest at the maturity date of the financing agreement (March 31, 2031).

Note 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"). 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 the issue date of each promissory note.

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

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

Note 14 – Promissory Notes (Cont'd)

Promissory Notes were issued as follows:

	Issue Date	Original Maturity Date	Notional Value (in 000's of €)	Interest Rate	Issuance Fee (in 000's of €)	Distribution Threshold	Equivalent Trust Units	Conversion Rate
Notes 1	22-Jun-17	22-Jun-20	9,146	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			**29,992**		**900**		**4,572,560**	

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

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

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

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

				As at December 31, 2020	
	Principal(1) (in 000's of €)	Principal(1) (in 000's of $)	Interest rate	Equivalent Trust Units	Carrying value of the Promissory Notes
Notes 1	8,607	13,388	8.18%	N/A	0
Notes 2	7,240	11,262	8.13%	N/A	0
Notes 3	13,584	21,130	7.95%	N/A	0
Total Promissory Notes	**29,431**	**45,780**		**0**	**0**

(1) As at December 31, 2020, principal outstanding represents intercompany promissory note between CCE and the REIT.

				As at December 31, 2019	
	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	12,555	8.18%	1,282,190	13,668
Notes 2	7,262	10,576	8.13%	1,091,103	11,631
Notes 3	13,584	19,786	7.95%	2,121,008	22,610
Total Promissory Notes	**29,466**	**42,917**		**4,494,301**	**47,909**

Note 15 – Mortgage loans, lease liabilities and interest-bearing loan

Mortgage loans, and leases liabilities consist of the following:

					As at December 31, 2020		
Entity	**Nominal value** (in 000's of €)	**Nominal value** (in 000's of $)	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Jeûneurs SCI	27,268	42,415	Euribor 3M + 1.75%	26/10/2027	42,176	40,751	1,425
Mortgage loan - Véronèse SCI	8,057	12,533	Euribor 3M + 1.90%	21/03/2031	12,361	11,399	962
Mortgage loan - Sablière SCI	11,745	18,269	Euribor 3M + 1.59%	23/06/2026	18,357	17,320	1,037
Mortgage loan - Cancorp Trio	30,654	47,682	1.56%	15/03/2024	47,055	46,569	486
Mortgage loan - Baldi SCI	13,100	20,377	Euribor 3M + 1.75%	26/10/2027	20,334	19,492	842
Mortgage loan - Walpur Four	11,100	17,266	1.43%	31/03/2022	17,206	17,206	-
Mortgage loans	**101,924**	**158,542**			**157,489**	**152,737**	**4,752**
Lease liabilities - Arcueil SCI	39,529	61,487	Euribor 3M + 2.20%	08/07/2027	67,067	61,256	5,811
Lease liabilities - Metropolitain SCI	41,189	64,069	Euribor 3M + 1.84%	18/03/2031	63,220	60,557	2,663
Lease liabilities	**80,718**	**125,556**			**130,287**	**121,813**	**8,474**
Total mortgage loans and lease liabilities	**182,642**	**284,098**			**287,776**	**274,550**	**13,226**

					As at December 31, 2019		
Entity	**Nominal value** (in 000's of €)	**Nominal value** (in 000's of $)	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Jeûneurs SCI	28,168	41,027	Euribor 3M + 1.75%	26/10/2027	40,769	39,631	1,138
Mortgage loan - Véronèse SCI	8,476	12,345	Euribor 3M + 1.90%	21/03/2031	12,158	11,011	1,147
Mortgage loan - Sablière SCI	12,015	17,500	Euribor 3M + 1.59%	23/12/2025	17,432	16,659	773
Mortgage loan - Cancorp Trio 1	31,200	45,443	1.56%	15/03/2024	44,515	44,060	455
Mortgage loan - Baldi SCI	13,434	19,567	Euribor 3M + 1.75%	26/10/2027	19,486	18,801	685
Mortgage loans	**93,293**	**135,882**			**134,360**	**130,162**	**4,198**
Lease liabilities - Arcueil SCI	42,093	61,308	Euribor 3M + 2.20%	08/07/2027	64,493	59,301	5,192
Lease liabilities - Metropolitain SCI	41,801	60,883	Euribor 3M + 1.84%	18/03/2031	59,385	57,667	1,718
Lease liabilities	**83,894**	**122,191**			**123,878**	**116,968**	**6,910**
Total mortgage loans and lease liabilities	**177,187**	**258,073**			**258,238**	**247,130**	**11,108**

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

	As at December 31, 2020		As at December 31, 2019	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**8,474**	**12,520**	6,910	8,168
After 1 year, but not more than 5 years	**28,288**	**36,245**	27,523	32,347
More than 5 years	**93,525**	**97,853**	89,445	95,458
	130,287	**146,618**	**123,878**	**135,973**
Less : future interest costs	**-**	**(16,331)**	-	(12,095)
Total lease liabilities	**130,287**	**130,287**	**123,878**	**123,878**

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

	As at December 31, 2020		As at December 31, 2019	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**4,752**	**7,225**	4,198	6,941
After 1 year, but not more than 5 years	**81,945**	**91,540**	61,955	70,637
More than 5 years	**70,792**	**70,977**	68,207	74,041
	157,489	**169,742**	**134,360**	**151,619**
Less : future interest costs	**-**	**(12,253)**	**-**	(17,259)
Total mortgage loans	**157,489**	**157,489**	**134,360**	**134,360**

Note 15 – Mortgage loans, lease liabilities and interest-bearing loan (Cont'd)

Loan concessions

Given the unprecedented circumstances surrounding the COVID-19 pandemic, there is inherently more economic uncertainty and expectations as compared to prior periods. During the year end December 31, 2020, the REIT has accepted deferral plans whenever proposed by banks/financial lessors, further to government incentives. The plan unfolds as follows:

Sabliere SCI

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

Courbevoie SCI

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

Baldi SCI

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

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

Metropolitain SCI

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

Arcueil

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

Interest-bearing loan

The interest-bearing loan of $510 at December 31, 2020 ($477 at December 31, 2019), is repayable to Inovalis Luxembourg which is a subsidiary of Inovalis SA. This loan has a 6.5 year term and bears a market practice interest at a fixed rate of 6.5%. The conditions of the loan are in mirror to the ones given by the REIT loan to the company holding the Trio asset.

Note 16 – Lease equalization loans

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 $)
			As at December 31, 2020			
Lease equalization loan - Baldi SCI	5%	31/12/2021	239	371	-	371
Total lease equalization loans			**239**	**371**	**-**	**371**

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 $)
			As at December 31, 2019			
Lease equalization loan - BBA SCI	5%	30/09/2021	903	1,315	-	1,315
Lease equalization loan - Baldi SCI	5%	31/12/2021	483	704	343	361
Total lease equalization loans			**1,386**	**2,019**	**343**	**1,676**

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

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

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

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

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

	As at December 31, 2020		As at December 31, 2019	
Carrying value and minimum lease payments	**Carrying value**	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**371**	**382**	1,676	1,769
After 1 year, but not more than 5 years	**-**	**-**	343	353
More than 5 years	**-**	**-**	-	-
	371	**382**	**2,019**	**2,122**
Less : future interest costs	**-**	**(11)**	**-**	(103)
Total lease equalization loans	**371**	**371**	**2,019**	**2,019**

Note 17 – Exchangeable Securities

Exchangeable securities issued and outstanding	Exchangeable securities	
	Number of Exchangeable securities	Carrying amount of Exchangeable securities
Balance -December 31, 2018	**844,673**	**7,982**
Asset management fees paid in exchangeable securities	142,909	1,501
Conversion of exchangeable securities into units of the REIT	(90,500)	(792)
Net change in fair value of exchangeable securities	-	871
Balance -December 31, 2019	**897,082**	**9,562**
Asset management fees paid in exchangeable securities	**216,581**	**1,537**
Net change in fair value of exchangeable securities	**-**	**(1,154)**
Balance - December 31, 2020	**1,113,663**	**9,945**

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

Exchangeable securities in escrow	As at December 31, 2019		
	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	505,722	338,951	844,673
Partial release of exchangeable securities in escrow	(252,861)	252,861	-
Securities issued in lieu of asset management fees	-	142,909	142,909
Securities converted into units	-	(90,500)	(90,500)
Number of exchangeable securities - outstanding - end of year	**252,861**	**644,221**	**897,082**
Classification of liabilities for exchangeable securities ($)	2,695	6,867	9,562

Distribution 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:

	2020	2019
Amount payable at the beginning of the year	**250**	249
Declared and recognized in earnings during the year	**825**	708
Distribution on exchangeable securities paid in cash	**(810)**	(707)
Amount payable at the end of the year	**265**	**250**

Note 18 – Trade and other payables

	Note	As at December 31, 2020	As at December 31, 2019
Trade payables		**3,978**	5,614
Trade payables - Inovalis SA		**388**	795
Trade payables		**4,366**	**6,409**
Other payables		**2,181**	1,115
Other payables - Inovalis SA		**-**	407
Other payables - Joint ventures		**899**	13,748
Distributions payable	*25*	**2,227**	1,978
Distributions payable - Inovalis SA	*29*	**265**	250
VAT payable		**1,114**	10,429
Other payables		**6,686**	**27,927**
Total trade and other payables		**11,052**	**34,336**

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

Special Voting Units have no economic entitlement in the REIT but entitle the holder to one vote per Special Trust Unit at any meeting of the unitholders of the REIT. Special Voting Units may only be issued in connection with or in relation to Exchangeable Securities (see Note 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, 2020, 1,113,663 Special Voting Units were issued and outstanding (2019 – 897,082).

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 (see Note 25). Until further notice, in response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020.

Normal course issuer bid

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

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

Trust Units

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

Note 19 – Trust Units (Cont'd)

2020

During the year ended December 31, 2020, the REIT issued 4,501,938 units following the conversion of the promissory notes with a cumulative face value of $45,370. (Note 14 – Promissory Notes).

2019

On December 23, 2019, the REIT closed a public offering of 4,835,110 trust units at a price of $10.65 per unit for total gross proceeds to the REIT of $51,494 reduced by the offering costs amounting to $3,217 resulting in net proceeds of $48,277.

During the year ended December 31, 2019, Inovalis SA converted 90,500 Exchangeable Securities in the amount of $792 into 90,500 units of the REIT (Note 17 – Exchangeable Securities).

Note 20 – Non-controlling interest

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

Summarised balance sheet	Cancorp Trio 1		Cancorp Trio 2		Cancorp Trio 3		SCI Metropolitain		SCI Lenine Arcueil		Hanover Cancorp GmbH KG	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Current assets												
Cash and cash equivalents	1,975	2,011	15	75	61	80	4,226	254	5,762	-	-	-
Other current assets	835	519	285	269	39	178	1,346	1,526	1,180	-	-	-
Total current assets	**2,810**	**2,530**	**300**	**344**	**100**	**258**	**5,572**	**1,780**	**6,942**	**-**	**-**	**-**
Non-current assets	**25,850**	**23,872**	**17,556**	**16,703**	**23,642**	**22,167**	**92,836**	**88,383**	**172,263**	**-**	**-**	**-**
Current liabilities												
Financial liabilities	190	178	132	124	167	157	2,663	1,718	7,608	-	-	-
Other current liabilities	251	207	213	261	193	267	385	509	418	-	-	-
Total current liabilities	**441**	**385**	**345**	**385**	**360**	**424**	**3,048**	**2,227**	**8,026**	**-**	**-**	**-**
Non-current liabilities												
Financial liabilities	18,113	17,166	12,775	12,085	16,155	15,283	63,611	60,282	59,459	-	-	-
Other non-current liabilities	215	55	150	37	190	48	-	-	-	-	-	-
Total non-current liabilities	**18,328**	**17,221**	**12,925**	**12,122**	**16,345**	**15,331**	**63,611**	**60,282**	**59,459**	**-**	**-**	**-**
Equity	**9,891**	**8,796**	**4,586**	**4,540**	**7,037**	**6,670**	**31,749**	**27,654**	**111,720**	**-**	**-**	**-**
Equity attribuable to non-controlling interest	**464**	**411**	**206**	**205**	**323**	**306**	**318**	**278**	**112**	**-**	**-**	**-**

Summarised statement of comprehensive income	Cancorp Trio 1		Cancorp Trio 2		Cancorp Trio 3		SCI Metropolitain		SCI Lenine Arcueil		Hanover Cancorp GmbH KG	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Net rental earnings	1,635	1,271	1,118	762	1,008	972	3,833	3,575	10,363	-	-	91
Administration expenses	(280)	(265)	(201)	(171)	(181)	(215)	(445)	(426)	(642)	-	-	(46)
Net change in fair value of investment properties	(221)	(259)	(653)	(55)	(291)	(293)	368	5,898	(89)	-	-	-
Net change in fair value of financial derivative	-	-	-	-	-	-	(242)	(1,123)	273	-	-	-
Finance income	-	-	-	-	-	-	27	-	-	-	-	-
Finance costs	(475)	(315)	(432)	(320)	(473)	(350)	(3,383)	(3,444)	(1,017)	-	-	(1,333)
Current income tax (expense)	(17)	(12)	(5)	(14)	(9)	(30)	-	-	-	-	-	-
Deferred income tax (expense)	(154)	(55)	(107)	(39)	(136)	(49)	-	-	-	-	-	1,432
Profit (loss) for the year	**488**	**365**	**(280)**	**163**	**(82)**	**35**	**158**	**4,480**	**8,888**	**-**	**-**	**144**
Profit allocated to non-controlling interest	**24**	**18**	**(14)**	**8**	**(4)**	**2**	**2**	**45**	**9**	**-**	**-**	**9**

Note 21 – Revenue

Revenue from investment properties consists of the following:

	2020	2019
Regular rents	**28,924**	26,191
Amortization of rent free periods (lease incentives)	**(66)**	(667)
Rental income	**28,858**	25,524
Property operating cost recoveries	**6,850**	7,966
Total revenue	**35,708**	**33,490**

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

	2020	2019
Within 1 year	**29,510**	26,360
After 1 year, but not more than 5 years	**33,124**	47,188
More than 5 years	**2,550**	4,365
Future minimum lease receivable under non-cancellable operating leases	**65,184**	**77,913**

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

	2020	2019
Taxes	**2,337**	2,098
Insurance	**127**	148
Property management fees	**939**	977
Utilities and other cost recoveries	**3,447**	4,743
Property operating cost recoveries	**6,850**	**7,966**

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

In 2019, two tenants accounted for more than 10% of rental income: France Telecom (30%) and Conservatoire National des Arts et Métiers (12%).

Note 22 – Expenses

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

	2020	2019
Property tax expense	**(3,045)**	(3,438)
Insurance	**(172)**	(144)
Property management fees	**(1,371)**	(1,242)
Utilities	**(4,301)**	(5,762)
Total property operating costs	**(8,889)**	**(10,586)**

Note 22 – Expenses (Cont'd)

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

	2020	2019
Asset management fees - Inovalis SA	**(3,117)**	(3,138)
Less : amount invoiced to joint ventures	**1,288**	1,512
	(1,829)	**(1,626)**
Professional fees for accounting, tax and audit	**(2,985)**	(2,253)
Legal expenses	**(727)**	(901)
Trustee fees	**(692)**	(318)
Travel expenses	**(22)**	(298)
Office rent	**(71)**	(63)
Governance expenses	**(142)**	(123)
Bank expenses	**(116)**	(107)
Other general and administrative expenses	**(1,280)**	(859)
Total general and admnsitrative expenses	**(7,864)**	**(6,548)**

Note 23 – Finance costs and finance income

	For the twelve months ended December 31, 2020	For the twelve months ended December 31, 2019
Interest costs related to mortgage loans	**(2,459)**	(2,218)
Interest costs related to leases liabilities	**(2,352)**	(2,657)
Interest costs related to lease equalization loans	**(70)**	(156)
Interest costs related to promissory notes	**(3,392)**	(3,528)
	(8,273)	**(8,559)**
Interest SWAP & CAP	**(1,234)**	(1,253)
Other finance costs	**(324)**	(74)
	(9,831)	**(9,886)**
Amortization of transaction costs on mortgage loans	**(141)**	(305)
Finance costs	**(9,972)**	**(10,191)**
Finance income from a company controlled by Inovalis SA relating to the acquisition loan	**1,726**	2,970
Finance income from joint venture loans	**3,955**	4,866
Other finance income	**939**	1,012
Finance income	**6,620**	**8,848**

Note 24 – Income taxes

A reconciliation between the expected income taxes based upon the 2020 and 2019 statutory rates and the income tax expense recognized during the years ended December 31, 2020 and 2019 is as follows:

Income tax expense	2020	2019
Earnings before income taxes	**18,321**	37,344
Income taxes computed at the statutory rate of 0% that is applicable to the REIT		
Deferred tax on fair value of investment properties	**3,990**	920
Current income tax expense	**(4,098)**	(1,733)
Income tax expense	**(108)**	**(813)**

The deferred tax on fair value of investment property expense for 2020 includes $4,069 relating to a reversal of the deferred tax liability recorded on initial exercise of the call option related to the SCCV Rueil property. The deferred tax liability was reversed upon sale of the property at which time the REIT recorded a corresponding current income tax expense.

The current income tax expense for 2020 includes the tax following the sale of the SCCV Rueil property for an amount of $4,069.

The REIT has unutilized tax losses of $6,707 for Walpur 4 and $5,065 for Trio for which a deferred tax asset has not been recognised. A deferred tax asset has not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the REIT, they have arisen in a loss-making subsidiary, and there are no other tax planning opportunities or other convincing evidence of recoverability in the near future.

The current income tax expense for 2019 includes the withholding tax on dividend distribution following the sale of Vanves property for an amount of $1,563.

	Balance Sheet		Statement of Earnings	
Deferred tax liability	2020	2019	2020	2019
Losses carryforward	-	-	-	-
Revaluation of investment properties to fair value	**13,212**	12,295	**3,990**	920
	13,212	**12,295**	**3,990**	**920**

Note 25 – Distributions

	Note	For the twelve months ended December 31, 2020	For the twelve months ended December 31, 2019
Amount payable at the beginning of the year		**1,978**	1,617
Declared and recognised during the year		**24,047**	19,905
Distributions paid in units		**(1,213)**	(3,015)
Paid in cash		**(22,585)**	(16,529)
Amount payable at the end of the year	*18*	**2,227**	**1,978**

In December 2020, the distribution of $2,230 for the month of December was declared, of which $2,227 was paid on January 15, 2021.

Note 25 – Distributions (Cont'd)

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

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

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

Note 26 – Accumulated other comprehensive income

	As at December 31, 2020	As at December 31, 2019
Net unrealized (loss) gains on derivatives designated as a hedge of the net investment in foreign entities	**(676)**	2,463
Cumulative translation adjustment account	**35,589**	12,128
Accumulated other comprehensive income	**34,913**	**14,591**

Note 27 – Risk arising from financial instruments

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

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

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

Market risk

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

Interest Rate Risk

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

The interest rate risk is mitigated by the REIT's strategy using derivative financial instruments on mortgage loans and on the lease liabilities. On December 31, 2020, after taking into consideration the effect of interest rate floor and interest rate cap, 78% of the REIT's long-term debt obligation has no exposure to interest rate risk (2019 – 83%).

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

Note 27 – Risk arising from financial instruments (Cont'd)

Interest Rate Risk (Cont'd)

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

Interest rate sentivity	Net debt exposure	Impact on net income	Impact on comprehensive income
		As at December 31, 2019	
	44,514		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on net income and equity		(223)	(223)

Currency Risk

		As at December 31, 2020	
		Exposure to Euro	
Financial assets and liabilities denominated in foreign currencies	Impacting Net Income	Impacting OCI	Total
Monetary assets denominated in other than functional currency	18,521	129,938	148,459
Monetary liabilities denominated in other than functional currency	-	(302,968)	(302,968)
Net exposure in respect of monetary items denominated in other than functional currency	18,521	(173,030)	(154,509)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)	-	(39,600)	(39,600)
Net exposure	18,521	(212,630)	(194,109)

Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	1,852	(21,263)	(19,411)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	(1,852)	21,263	19,411

		As at December 31, 2019	
		Exposure to Euro	
Financial assets and liabilities denominated in foreign currencies	Impacting Net Income	Impacting OCI	Total
Monetary assets denominated in other than functional currency	49,062	169,556	218,618
Monetary liabilities denominated in other than functional currency	-	(294,479)	(294,479)
Net exposure in respect of monetary items denominated in other than functional currency	49,062	(124,923)	(75,861)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)	-	(13,000)	(13,000)
Net exposure	49,062	(137,923)	(88,861)

Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	4,906	(13,792)	(8,886)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	(4,906)	13,792	8,886

The REIT operates in France and Germany, and the functional currency for these operations is the Euro. The REIT's distributions are paid to unitholders in Canadian dollars. Thus, the cash available for distribution to unitholders could be adversely impacted by currency variations. In order to ensure the predictability of distributions to its unitholders, the REIT hedges its net investment in foreign operation using foreign currency exchange contracts. As such, the exchange rate relating to 100% of the REIT's current distributions are secured by these foreign currency forward contracts until October 2022. Refer to Note 10 for a summary of the foreign exchange contracts in place.

Note 27 – Risk arising from financial instruments (Cont'd)

Credit Risk

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

Loan to joint ventures

Credit risk relating to loan to joint ventures is mitigated through recourse against such parties and/or the underlying real estate. These financial instruments are considered to have low credit risk as the parties have generated consistent cash flows from real estate activities in the past and due to the significant recourse available upon potential default. The REIT monitors the debt service ability of the properties underlying the loans to assess for changes in credit risk.

Accounts Receivable

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

Accounts receivable are presented on the consolidated balance sheet, net of allowance for credit losses determined using the simplified method as allowed per IFRS 9. This provision is based on the expected recovery percentage of amounts receivable from each tenant and various other indicators, such as a deterioration of the credit situation of a given tenant. Allowance for credit loss has been minimally impacted due to COVID-19. Management has taken steps to ensure credit risk on tenants is mitigated, including obtaining bank guarantees from tenants that mitigate the risk of credit risk on outstanding balances. Management regularly 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 using bank deposits and loans. Liquidity risk inherent to the financial structure of the business is mainly managed through quarterly updates of short-term cash flow forecasts, follow-up of availability of funding through an adequate amount of committed credit facilities, as well as the status of the maturity of financial assets and liabilities. Management has determined that the REIT has the financial resources to sustain its operations for the 12 months following the date of the consolidated balance sheet.

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

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

Note 27 – Risk arising from financial instruments (Cont'd)

Liquidity Risk (Cont'd)

As at December 31, 2020	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	307	6,918	91,540	70,977	**169,742**
Leases principal and interest		12,520	36,245	97,853	**146,618**
Interest-bearing loan		36		474	**510**
Lease equalization loans		371			**371**
Exchangeable securities (value of securities plus interest on notes)	230	689	3,675	9,945	**14,539**
Tenant deposits		1,009	512	978	**2,499**
Derivative financial instruments		165	3,723		**3,888**
Trade and other payables	6,537	3,401			**9,938**
Income tax payable	4,069				**4,069**
Total	**11,143**	**25,109**	**135,695**	**180,227**	**352,174**

As at December 31, 2019	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	290	6,651	70,637	74,041	**151,619**
Leases principal and interest		8,168	32,347	95,458	**135,973**
Promissory Notes	921	26,836	22,874		**50,631**
Interest-bearing loan		4		473	**477**
Lease equalization loans		1,676	343		**2,019**
Exchangeable securities (value of securities plus interest on notes)	185	555	2,960	9,562	**13,262**
Tenant deposits		577	1,171	759	**2,507**
Derivative financial instruments		260	3,968		**4,228**
Trade and other payables	18,021	5,885			**23,906**
Total	**19,417**	**50,612**	**134,300**	**180,293**	**384,622**

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

Note 27 – Risk arising from financial instruments (Cont'd)

Classification of financial instruments

The following tables summarize the classification of the REIT's consolidated financial instruments as at December 31, 2020, and 2019:

As at December 31, 2020

	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			40,531		**40,531**
Derivative financial instruments	15				**15**
Trade receivables and other financial assets			6,623		**6,623**
Restricted cash			5,426		**5,426**
Cash			80,376		**80,376**
Total financial assets	**15**	**-**	**132,956**	**-**	**132,971**
Financial liabilities					
Mortgage loans				157,489	**157,489**
Lease equalization loans				371	**371**
Tenant deposits				2,499	**2,499**
Exchangeable securities		9,945			**9,945**
Derivative financial instruments	5,473				**5,473**
Trade and other payables				9,938	**9,938**
Total financial liabilities	**5,473**	**9,945**	**-**	**170,297**	**185,715**

As at December 31, 2019

	Measured at Fair Value		Measured at amortized cost		
	Classified as Held for trading	**Designated as FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to Joint Ventures			45,489		**45,489**
Acquisition loan and deposits			24,744		**24,744**
Derivative financial instruments	1,714				**1,714**
Call option related to the acquisition loan	9,124				**9,124**
Trade and other financial assets			4,437		**4,437**
Restricted cash			5,203		**5,203**
Cash			83,409		**83,409**
Total financial assets	**10,838**	**-**	**163,282**	**-**	**174,120**
Financial liabilities					
Promissory notes		47,909			**47,909**
Mortgage loans				134,360	**134,360**
Lease equalization loans				2,019	**2,019**
Tenant deposits				2,507	**2,507**
Exchangeable securities		9,563			**9,563**
Derivative financial instruments	4,228				**4,228**
Trade and other payables				23,907	**23,907**
Total financial liabilities	**4,228**	**57,472**	**-**	**162,793**	**224,493**

Note 27 – Risk arising from financial instruments (Cont'd)

Fair value of financial assets and liabilities

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

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

As at December 31, 2019	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to Joint Ventures	3	45,489	45,489
Acquisition loan	3	24,744	24,744
Financial liabilities			
Mortgage loans	2	134,360	150,823
Lease equalization loans	2	2,019	2,019
Tenant deposits	2	2,507	2,504

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

- The fair values of lease equalization loans and tenant deposits are estimated using the nominal amounts expected to be repaid at maturity and a discount rate based on prevailing market interest rates adjusted by an internally determined credit spread.
- Mortgage loans and loans to joint ventures are carried at amortized cost using the effective interest method of amortization. The estimated fair values of long-term borrowings are based on market information, where available, or by discounting future payments of interest and principal at estimated interest rates expected to be available to the REIT as at December 31, 2020 and 2019.
- 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 year in the assumptions used for fair value determination at inception.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using December 31, 2020, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2020, of the mortgage loans has been estimated at $159,462 (December 31, 2019 – $150,823) compared with the carrying value before deferred financing costs of $157,489 (December 31, 2019 – $134,360). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

Note 27 – Risk arising from financial instruments (Cont'd)

Fair value hierarchy

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

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

	As at December 31, 2019		
	Level 2	**Level 3**	**Total**
Investment properties	-	478,700	**478,700**
Derivative financial instruments - assets	1,714	-	**1,714**
Call option related to the acquisition loan	-	9,124	**9,124**
Derivative financial instruments - liabilities	(4,228)	-	**(4,228)**
Exchangeable securities	(9,562)	-	**(9,562)**
Promissory notes	(47,909)	-	**(47,909)**

There were no transfers between any level during the years ended December 31, 2020, and 2019.

The REIT's management is responsible for determining fair value measurements included in the Consolidated Financial Statements, including Level 3 fair values.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is in Note 7 – Investment properties. The gains or losses relating to the investment properties are recognized in the consolidated statement of earnings lines entitled "Net change in fair value of investment properties". The entire amount of gain or loss reported on this line in the reporting period is unrealized. For the year ended December 31, 2019, the amount of the gain also included the gain realized on the sale of BBA and of Hanover investment properties.

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

- The fair value of the call option is determined based mainly on (i) the expected gain on the sale of the property and (ii) the probability of realization of that gain.
- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and volatility that are observable on an active market, as at the balance sheet date.
- The fair value of the Exchangeable Securities is based on the quoted price of the REIT's own units, on the basis that they are exchangeable on a one to one basis throughout their life at the request of the unit holders. Other features of the Exchangeable Securities have no significant impact on their fair value.
- The fair value of the Promissory Notes is based on the quoted price of the REIT's own units, on the basis that they have been issued along with a Put/Call agreement that allows the issuer or the holder to convert the notes into a fixed amount of REIT units throughout their life at the request of the issuer or the holder. Other features of the Promissory Notes have no significant impact on their fair value.

Note 28 - Unit-based compensation plan

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

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

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

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

	2020	2019
Outstanding at beginning of year	**11,782**	-
Granted DU	**19,093**	11,782
Elected DU	**17,051**	-
ADUs earned	**924**	-
Outstanding at end of year	**48,850**	**11,782**

As of December 31, 2020, 48,850 DSUs are outstanding and 151,150 DSUs are available for grant under the DSU Plan.

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

For the year ended December 31, 2019, the REIT recorded an expense of $47 and an increase to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2020 was $47 and was included in Trade and other payables.

Note 29 – Transactions with related parties

Inovalis SA – Asset manager

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

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

Inovalis and its subsidiaries	Financial statement line item	Note	For the twelve months ended December 31, 2020	For the twelve months ended December 31, 2019
Revenues				
Interest income from acquisition loan	Finance income	*24*	**1,726**	2,970
			1,726	**2,970**
Expenses				
Asset management fees	Administration expenses	*A*	**(1,829)**	(1,626)
Facilities management fees	Service charge expenses		**(458)**	(473)
Property management Fees	Service charge expenses	*B*	**(1,371)**	(1,290)
Letting fees invoiced	Service charge expenses		**(150)**	-
less portion accounted for over the lease term	Service charge expenses		**134**	-
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**(825)**	(708)
Interest expense on lease equalization loans	Finance costs	*24*	**(70)**	(156)
Reimbursment of travel expenses	Administration expenses		**(22)**	(248)
Trustee fees	Administration expenses		**(692)**	(318)
			(5,283)	**(4,819)**
Unitholders' Equity				
Conversion of Exchangeable securities into units of the REIT	Issuance of Units	*18*	-	(792)
			-	**(792)**
Assets				
Acquisition fees capitalized for the year	Investment properties	*C*	-	1,419
			-	**1,419**
Liabilities				
Exchangeable securities issued for the year	Exchangeable securities	*18*	**1,537**	1,501
			1,537	**1,501**

(A) *Asset management fees of $3,117 and $3,138 as at December 31, 2020, and December 31, 2019, respectively, correspond to the asset management fees earned for the entire portfolio, including $1,288 and $1,512 attributable to assets held through joint ventures. Fees are payable in cash and/or exchangeable securities, the exact composition of which is determined by the Board annually.*

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

(C) *Includes fees to Inovalis SA of $755 and to an entity related to Inovalis SA of $664.*

Note 29 – Transactions with related parties (Cont'd)

Inovalis SA – Asset manager (Cont'd)

		Due from (to) Inovalis SA	
Inovalis and its subsidiaries	**Note**	**As at December 31, 2020**	**As at December 31, 2019**
Assets			
Acquisition loan		**-**	24,744
Derivative financial instruments - Call option related to the acquisition loan		**-**	9,124
Trade and other receivables		**269**	288
		269	**34,156**
Liabilities			
Interest-bearing loan		**510**	477
Lease equalization loans		**371**	2,019
Distributions payable	*19*	**265**	250
Exchangeable securities	*18*	**9,945**	9,562
Trade and other payables		**388**	1,202
		11,479	**13,510**

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

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.

On July 1, 2020, the REIT disposed of one share representing 0.1% of equity interest in SCI Lenine Arcueil to a related party, Inovalis SA, for $98.

Subsequent to year-end, the Board of Trustees approved a two-year extension of the Management Agreement with Inovalis SA that becomes effective on April 1, 2021.

Note 29 – Transactions with related parties (Cont'd)

Inovalis SA – Asset manager (Cont'd)

Joint ventures

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

	Financial statement line item	For the twelve months ended December 31, 2020	For the twelve months ended December 31, 2019
Management fees invoiced to joint ventures	Administration expenses	**(1,288)**	(1,512)
Property management fees	Service charge expenses	**(317)**	(328)
Letting fees invoiced	Service charge expenses	**(32)**	-
less portion accounted for over the lease term	Service charge expenses	**28**	-
Finance income	Finance income	**3,955**	4,866
		2,346	**3,026**

Management fees invoiced to joint ventures include:

A. An annual asset management fee in the amount of 0.5% of assets under management

B. A leasing fee in an amount equal to (i) 10% of the first-year annual rent for lease renewals signed by existing tenants, or (ii) 20% of the first-year annual rent for leases by new tenants;

C. A construction management fee in respect of capital projects in an amount equal to 5% of all hard construction costs incurred on a project;

D. An acquisition fee in the amount of 1% of the purchase price of any property acquired (excluding of properties owned or managed by the Manager);

E. An annual property management fee in an amount equal to 3.0% of the gross revenue of the properties, unless otherwise stipulated in any tenant lease provided the Property Management Fee is fully recoverable by the landlord.

		Due from joint ventures	
	Financial statement line item	As at December 31, 2020	As at December 31, 2019
Assets			
Loan receivable	Investments accounted for using the equity method	**40,531**	45,489
Interest receivables	Other current assets	**1,106**	360
Accounts receivable	Trade and other receivables	**-**	507
		41,637	**46,356**
Liabilities			
Balance of sale payable	Trade and other payables	**899**	13,748
		899	**13,748**

On October 2, 2020, the REIT acquired 20% of the shareholdings of SCCV that were previously held by Neo Soleil SAS, a wholly-owned subsidiary of Inovalis SA, for €2.2 ($3.4). The investment in SCCV by the REIT is considered a joint venture.

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

Remuneration of key management personnel

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

	For the twelve months ended December 31, 2020	For the twelve months ended December 31, 2019
Wages, fees and other benefits	**(692)**	(661)
	(692)	**(661)**

Note 30 – Capital Management

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

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

As outlined below, the REIT is meeting this objective in that its total indebtedness was 46.7% of its GBV as at December 31, 2020 (2019 – 43.1%).

	2020	2019
Investment properties	**541,218**	478,700
Investment accounted for using the equity method	**75,987**	100,782
Acquisition loan	**-**	24,744
Gross book value	**617,205**	**604,226**
Mortgage loans - non-current	**152,737**	130,162
Lease liabilities - non-current	**121,813**	116,968
Lease equalization loan - non-current	**-**	343
Mortgage loans - current	**4,752**	4,198
Lease liabilities - current	**8,474**	6,910
Lease equalization loan - current	**371**	1,676
Total indebtedness	**288,147**	**260,257**
Total indebtedness as a % of Gross Book Value	**46.7%**	43.1%

Note 31 – Commitments and guarantees

Commitments given

Guarantees provided by the REIT with respect to its long-term debts include a preferential claim held by the mortgage lenders on the Veronese, Sablière, Baldi, Jeuneurs, Walpur and Trio 1, 2, 3 properties in the amount of €110,692 ($172,181).

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

The companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3, SCI Baldi, SCI Veronese, SCI Sabliere, SCI Jeuneurs and Walpur also need to comply with banking covenants. The REIT was in compliance with all covenants on December 31, 2020.

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

Finally, the company SCI Veronèse has granted a leasing cash reserve to the bank (Palatine) for €1,000 ($1,555) and the companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3 have set up a capex reserve for €2,489 ($3,872).

Tenant commitments received

The companies SCI Metropolitain, SCI Veronese, SCI Sabliere, Cancorp Trio 1, Cancorp Trio 2 and Cancorp Trio 3 and Walpur received bank guarantees securing the rentals of certain tenants up to €2,267 ($3,526).

Note 32 – Geographical information

Total revenue by geographic region For the years ended December 31,	Rental income		Property operating cost recoveries		2020	2019
	2020	2019	2020	2019		
France	24,516	22,444	5,780	7,355	**30,296**	29,799
Germany	4,342	3,080	1,070	611	**5,412**	3,691
	28,858	**25,524**	**6,850**	**7,966**	**35,708**	**33,490**

Investment properties and investments in joint ventures by geographic region	As at December 31, 2020	As at December 31, 2019
France	**478,450**	433,139
Germany	**138,755**	146,343
	617,205	**579,482**

Note 33 – Cash flow information

	Note	2020	2019
Adjustments for non-cash items and other reconciling items:			
Gains or losses on disposal	-	**-**	56
Gains on acquisition of subsidiary	-	**(207)**	-
(Increase) decrease rent free period	*7*	**(241)**	(141)
Management fees paid in exchangeable securities	*17*	**1,537**	1,501
Net change in fair value of investment properties	*7*	**7,431**	(16,722)
Net change in fair value of financial derivatives	-	**(1,166)**	(815)
Distributions recognized on exchangeable securities	*17*	**825**	708
Net change in fair value of exchangeable securities	*17*	**(1,154)**	871
Net change in fair value of promissory notes	-	**(12,730)**	5,438
Finance income	*23*	**(6,620)**	(8,848)
Finance costs	*23*	**9,972**	10,191
Share of net loss (earnings) from investments in joint venture	*8*	**6,524**	(11,782)
Foreign exchange gain	-	**(1,011)**	-
Net change in fair value of acquisition loan	*9*	**(272)**	(803)
		2,888	**(20,346)**
Working capital adjustments			
Increase in trade and other receivables	-	**(1,647)**	(278)
Decrease in tenant deposits	-	**(84)**	(63)
(Decrease) Increase in trade and other payables	-	**(17,242)**	10,540
		(18,973)	**10,199**

The following investing and financing activities did not require the use of cash or cash equivalents:

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

Note 33 – Cash flow information (Cont'd)

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

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

(1) *Cash-flows include issuance and repayment.*

Liabilities	As at December 31, 2018	Cash-flows [2]	Acquisition of investment properties	Disposal of a part of interest	Issuance of exchangeable securities	Conversion into units	Foreign exchange movement	Fair value changes	As at December 31, 2019
Promissory notes	42,471	-	-	-	-	-	-	5,438	**47,909**
Exchangeable securities	7,982	-	-	-	1,501	(792)	-	871	**9,562**
Mortgage loans [1]	117,502	7,973	36,996	(18,730)	-	-	(9,381)	-	**134,360**
Lease liabilities	127,184	(59,352)	64,537	-	-	-	(8,491)	-	**123,878**
Lease equalization loans	3,315	(1,090)	-	-	-	-	(206)	-	**2,019**

(1) *At December 31, 2018, $19,523 was presented in liabilities directly associated with assets held for sale.*

(2) *Cash-flows include issuance and repayment.*

Corporate information

Head office

Inovalis REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

Investor relations

E-mail: info@inovalis.com

Website: www.inovalisreit.com

Stock exchange listing

The Toronto Stock Exchange

Listing symbol: INO.UN.TO

Distribution Reinvestment Plan

Inovalis has implemented a 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. Until further notice, in response to the market disruption caused by the COVID-19 pandemic, the REIT has suspended its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of the distribution payable on May 15, 2020 to unitholders of record as at April 30, 2020.

INOVALIS REIT

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