INOVALIS REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022, and 2021

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 29, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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 $437 million and the Group's share of the fair value of income-producing properties held through investments in joint ventures of $140 million as at December 31, 2022. 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 and/or the discounted cash flow 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, discount rates, cashflow projections 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 and discount 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 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 evaluated the REIT's significant 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
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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 and the Annual Report 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 29, 2023

[1] CPA auditor, 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***	**2022**	**2021**
Non-current assets			
Investment properties	*7*	**437,422**	427,631
Investments in joint ventures	*8*	**55,693**	64,327
Other financial assets		**330**	-
Derivative financial instruments	*9*	**807**	-
Restricted cash	*12*	**4,436**	4,964
Total non-current assets		**498,688**	**496,922**
Current assets			
Trade receivables and other financial assets	*10*	**8,227**	9,368
Derivative financial instruments	*9*	**3,002**	845
Other current assets	*11*	**3,132**	3,431
Restricted cash	*12*	**2,882**	52
Cash		**45,176**	76,627
Total current assets		**62,419**	**90,323**
Total assets		**561,107**	**587,245**

Liabilities and equity	***Note***	**2022**	**2021**
Liabilities			
Non-current liabilities			
Interest-bearing loan	*13*	**245**	334
Mortgage loans	*13*	**96,254**	48,662
Lease liabilities	*13*	**102,121**	106,351
Tenant deposits		**2,068**	1,172
Derivative financial instruments	*9*	**299**	366
Deferred tax liabilities	*21*	**1,839**	4,941
Total non-current liabilities		**202,826**	**161,826**
Current liabilities			
Interest-bearing loan	*13*	**22**	24
Mortgage loans	*13*	**38,027**	44,046
Lease liabilities	*13*	**6,424**	7,700
Tenant deposits		**303**	277
Derivative financial instruments	*9*	**-**	853
Exchangeable securities	*14*	**3,536**	9,015
Trade and other payables	*15*	**18,960**	11,248
Income tax payable	*21*	**2,039**	2,167
Deferred income		**793**	4,004
Total current liabilities		**70,104**	**79,334**
Total liabilities		**272,930**	**241,160**
Equity			
Trust units	*16*	**289,940**	288,752
(Deficit) retained earnings		**(12,327)**	46,979
Accumulated other comprehensive income	*23*	**9,366**	9,055
Total unitholders' equity		**286,979**	**344,786**
Non-controlling interest	*17*	**1,198**	1,299
Total equity		**288,177**	**346,085**
Total liabilities and equity		**561,107**	**587,245**

See accompanying notes to consolidated financial statements

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

Jean-Daniel Cohen
Chairman and Trustee

Robert Waxman
Audit Chair and Trustee

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

	Note	2022	2021
Rental revenue	*18*	**25,377**	28,194
Property operating cost recoveries	*18*	**5,525**	5,974
Property operating costs	*19*	**(9,415)**	(9,585)
Other revenues		**241**	290
Other property operating expenses		**(95)**	(682)
Net rental income		**21,633**	**24,191**
General and administrative expenses	*19*	**(6,974)**	(8,392)
Eviction and disposal costs	*19*	**(362)**	(3,348)
Foreign exchange gain (loss)		**250**	(1,129)
Loss on disposal of investment properties	*7*	**(946)**	(3,988)
Loss on sale of joint ventures	*8*	**-**	(254)
Share of net loss from joint ventures	*8*	**(3,585)**	(2,062)
Operating earnings		**10,016**	**5,018**
Net change in fair value of Investment properties	*7*	**(58,393)**	29,419
Net change in fair value of Financial derivatives		**2,847**	2,215
Net change in fair value of Exchangeable securities	*14*	**5,479**	(735)
Finance income	*20*	**6,705**	3,702
Finance costs	*20*	**(5,766)**	(7,492)
Distributions on Exchangeable securities	*14*	**(645)**	(1,238)
(Loss) income before income taxes		**(39,757)**	**30,889**
Current income tax expense	*21*	**(191)**	(8,088)
Deferred income tax recovery	*21*	**2,971**	7,498
Total income tax recovery (expense)		**2,780**	**(590)**
Net (loss) income		**(36,977)**	**30,299**
Net (loss) income attributable to:			
Non-controlling interest	*17*	**(123)**	(34)
Unitholders of the Trust		**(36,854)**	30,333
		(36,977)	**30,299**

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	2022	2021
Net (loss) income for the year		**(36,977)**	30,299
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income:			
Net gains on derivatives designated as a hedge of the net investment in a foreign entity		**1,024**	2,472
Change in cumulative translation adjustment account	23	**(707)**	(28,529)
Other comprehensive income (loss)		**317**	**(26,057)**
Total comprehensive (loss) income		**(36,660)**	**4,242**
Total comprehensive (loss) income attributable to:			
Non-controlling interest		**(117)**	(233)
Unitholders of the Trust		**(36,543)**	4,475
Total comprehensive (loss) income		**(36,660)**	**4,242**

See accompanying notes to consolidated financial statements

Inovalis Real Estate Investment Trust
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 (deficit)	Accumulated other comprehensive income (loss)	Total attributable to the Unitholders' of the Trust	Non-controlling interest	Total equity
As at December 31, 2020		32,400,585	286,975	53,350	34,913	375,238	1,423	376,661
Issuance of units from exchangeable securities conversion	*16*	175,627	1,665	-	-	1,665	-	1,665
Distributions earned by or declared to Unitholders	*22*	-	-	(36,704)	-	(36,704)	-	(36,704)
Issuance of units for payment of Trustee Fees		11,597	112	-	-	112	-	112
Foreign exchange impact on Non-controlling interest		-	-	-	-	-	109	109
		187,224	1,777	(36,704)	-	(34,927)	109	(34,818)
Net income (loss) for the year		-	-	30,333	-	30,333	(34)	30,299
Other comprehensive loss		-	-	-	(25,858)	(25,858)	(199)	(26,057)
Comprehensive income (loss)		-	-	30,333	(25,858)	4,475	(233)	4,242
As at December 31, 2021		**32,587,809**	**288,752**	**46,979**	**9,055**	**344,786**	**1,299**	**346,085**
Distributions earned by or declared to Unitholders	*22*	**-**	**-**	**(22,452)**	**-**	**(22,452)**	**-**	**(22,452)**
Distributions under the Trust's reinvestment plan	*16*	**190,890**	**1,188**	**-**	**-**	**1,188**	**-**	**1,188**
Foreign exchange impact on Non-controlling interest		**-**	**-**	**-**	**-**	**-**	**16**	**16**
		190,890	**1,188**	**(22,452)**	**-**	**(21,264)**	**16**	**(21,248)**
Net loss for the year		**-**	**-**	**(36,854)**	**-**	**(36,854)**	**(123)**	**(36,977)**
Other comprehensive income		**-**	**-**	**-**	**311**	**311**	**6**	**317**
Comprehensive (loss) income		**-**	**-**	**(36,854)**	**311**	**(36,543)**	**(117)**	**(36,660)**
As at December 31, 2022		**32,778,699**	**289,940**	**(12,327)**	**9,366**	**286,979**	**1,198**	**288,177**

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	**2022**	**2021**
Operating activities			
(Loss) income before income taxes		**(39,757)**	30,889
Interest received		**6,614**	2,631
Interest paid		**(5,766)**	(7,492)
Income tax paid	*21*	**(112)**	(9,898)
Distributions in respect of exchangeable securities paid in cash	*14*	**(658)**	(1,254)
Adjustments for non-cash items and other reconciling items	*30*	**52,936**	(22,507)
		13,257	**(7,631)**
Working capital adjustments	*30*	**8,170**	(284)
Net cash flows related to operating activities		**21,427**	**(7,915)**
Investing activities			
Additions to investment properties and capitalized letting fees	*7*	**(1,955)**	(958)
Disposition of investment property - Jeuneurs property	*7*	**-**	103,173
Disposition of investment property - Veronese property	*7*	**39,386**	-
Acquisition of invesment property - Gaia	*6*	**(56,678)**	-
Acquisitions of investment property - Delgado	*6*	**(43,154)**	-
Additional loan advances to joint ventures	*8*	**(171)**	(941)
Proceeds from sale of joint ventures	*8*	**-**	965
Distributions from joint ventures	*8*	**-**	1,715
Loan repayments received from joint ventures	*8*	**5,302**	2,160
Net change in restricted cash	*12*	**(2,889)**	500
Net increase in non-current other financial assets		**(312)**	-
Net cash flows related to investing activities		**(60,471)**	**106,614**
Financing activities			
Distributions to unitholders	*22*	**(22,371)**	(36,691)
Repayment of mortgage loans	*13*	**(13,013)**	(53,751)
Issuance of mortgage loans	*13*	**51,316**	-
Repayment of lease liabilities	*13*	**(6,137)**	(6,593)
Repayment of interest bearing loan		**(91)**	(152)
Repayment of lease equalization loans		**-**	(354)
Net cash flows related to financing activities		**9,704**	**(97,541)**
Net (decrease) increase in cash		**(29,340)**	**1,158**
Effects of foreign exchange adjustments on cash		**(2,111)**	(4,907)
Cash at the beginning of the year		**76,627**	**80,376**
Cash at the end of the year		**45,176**	**76,627**

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, Germany and Spain.

The REIT's head and registered office is located at 151 Yonge Street, 11th floor, Toronto, Ontario, M5C 2W7. The Trust'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, 2022, were authorized for issuance by the Board of Trustees on March 29, 2023.

The REIT has hired Inovalis S.A. ("Inovalis SA"), a real estate asset manager having operations in France, Germany and Spain, to manage certain functions. Refer to Note 3 – Significant accounting policies, and to Note 26 – 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")

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 consolidated balance sheets which are measured at fair value:

- Investment properties (including right-of-use assets);
- Exchangeable securities;
- Derivative financial instruments.

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 2022:

I. Amendment to 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 January 1, 2022 with earlier adoption permitted. The REIT has applied the amended guidance in assessing derecognition of financial instruments subsequent to the effective date.

II. 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. These amendments had no impact on the consolidated financial statements of REIT. The REIT intends to use the practical expedients in future periods if they come applicable.

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 - 2022	Proportion of Ownership Interest and Voting Power Held - 2021
Cancorp Europe SA ("CCEU")	Holding Company for European assets		Luxembourg	**89.18%**	**88.15%**
Cancorp Cologne SARL	Investment and holding Company		Luxembourg	**N/A**	**100% held by CCEU**
Walpur Four SAS ("Walpur")	Investment property holding	Bad Homburg Property	France	**100% held by CCEU**	**100% held by CCEU**
INOPCI 1	Holding Company Investment		France	**100% held by CCEU**	**100% held by CCEU**
SCI Baldi	Investment property holding	Baldi Property	France	**100% held by INOPCI 1**	**100% held by INOPCI 1**
SCI Sabliere	Investment property holding	Sabliere Property	France	**100% held by INOPCI 1**	**100% held by INOPCI 1**
SCI Jeuneurs	Investment property holding	Jeuneurs Property (Sold in 2021)	France	**N/A**	**100% held by INOPCI 1**
SCI Veronese	Investment property holding	Courbevoie Property (Sold in 2022)	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 CCEU**	**100% held by CCEU**
Arcueil SCS ("Arcueil")	Investment and holding Company		Luxembourg	**100% held by CCEU**	**100% held by CCEU**
Metropolitan LLC	Investment property holding		USA	**100%**	**100%**
SCI Lenine Arcueil	Investment property holding	Arcueil Property	France	**99.90% held by INOPCI 1**	**99.90% held by INOPCI 1**
Cancorp Trio 1	Investment property holding	Trio Properties	Germany	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Trio 2	Investment property holding	Trio Properties	Germany	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Trio 3	Investment property holding	Trio Properties	Germany	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Cologne 2 SARL	Investment and holding Company		Germany	**100% held by CCEU**	**100% held by CCEU**
SCI Gaia Nanterre ("Gaia")	Investment property holding	Gaia Property	France	**99.99% held by INOPCI 1**	**N/A**
Cancorp Vegacinco SLU ("Vegacinco")	Investment property holding	Delgado Property	Spain	**100% held by CCEU**	**N/A**

Also, as further explained in Note 3 under the caption "Exchangeable securities", the 10.82% interest held by Inovalis SA in CCEU and its subsidiaries is presented as a liability rather than a non-controlling interest (refer to Note 14 for details regarding this interest).

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, *Business Combinations* ("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.

Note 3 – Significant accounting policies (Cont'd)

Business combinations (Cont'd)

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 Trust'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 foreign entities are translated into the presentation currency upon consolidation as follows:

i. Assets and liabilities are translated at the closing rate at the balance sheet 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* ("IFRS 13"). 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, *Impairment of Assets* ("IAS 36") are applied to determine whether it is necessary to recognize 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 recognized 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, 2022, the REIT, through its subsidiary CCEU, 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 - 2022	Porportion of Ownership Interest and Voting Power Held - 2021
Cancorp Duisburg SARL ("CCD")	Investment property holding	Duisburg Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**
TFI Cancorp Stuttgart SARL ("Stuttgart")	Investment property holding	Stuttgart Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**
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 CCEU**	**50% held by CCEU**
TFI Cancorp Kosching SARL ("Kösching")	Investment property holding	Kösching Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**

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 traditionally financial liabilities but are presented as equity by exception The units are puttable financial instruments because of the unitholders' option to request that the REIT redeem the units, at any point during at the holders option, 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 the units meet all the criteria in IAS 32, *Financial Instruments: Presentation* ("IAS 32") for such classification also referred to as the "puttable exemption", as follows:

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

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

iii. All Units have identical features;

iv. Apart from the contractual obligation for the REIT to redeem the Units for cash, 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 derecognized 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 derecognized 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 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 derecognized when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the REIT has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is extinguished, discharged, cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Financial assets and liabilities are offset, and the net amount presented in the consolidated balance sheet when, and only when, the REIT has a current legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Classification and subsequent measurement

Trade receivables, loan receivables from joint ventures, and other financial assets

Trade receivables, loan receivables from joint ventures, and other financial assets are initially measured 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 measured at their fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Changes in fair value are recognized through profit or loss, except those designated in effective hedging relationships. 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, the derivatives and their change in fair value is recognized in "Other comprehensive income".

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, CCEU, consist of convertible interest-bearing debt instruments in euros and exchangeable into a fixed number of units of the Trust 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 recognized in the consolidated statements of earnings. 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 CCEU 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.

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 over the life of the loan. These financial liabilities are classified as current liabilities if payment is due within twelve months, which can include accrued interest, or if the REIT does not have an unconditional right to defer settlement for at least twelve months. 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 on financial assets other than those carried at fair value through profit or loss.

For trade receivables, the REIT applies the simplified approach as permitted by IFRS 9 which requires lifetime expected credit losses ("LTECL") 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.

For its loans to joint ventures, the ECL is based on the credit losses expected to arise over the life of the loan (the LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-months' expected credit losses (the "12mECL"). The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within 12-months after the reporting date.

The REIT has established a policy to perform an assessment each period as to whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above processes, the REIT groups its loans to joint ventures into Stage 1, Stage 2, Stage 3 and Purchased or Originated Credit Impaired ("POCI"), as described below:

- Stage 1: When loans are first recognized, the REIT recognizes an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination and is not credit-impaired, the REIT records an allowance for the LTECL.
- Stage 3: Loans considered credit-impaired (see Note 8.) The REIT records an allowance for the LTECL.

POCI assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR.

Interest income is recorded based on the gross carrying amount of instruments in Stages 1 and 2, whereas it is calculated based on the carrying amount net of the ECL for those instruments in Stage 3.

Expected credit losses are measured based on expected cash shortfalls, discounted at the instrument's original effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive and are determined using the Probability of Default ("PD"), i.e. the likelihood of default over a given time horizon, the Exposure at Default ("EAD"), i.e. an estimate of the exposure at a future default date, and the Loss Given Default ("LGD"), i.e. an estimate of the loss arising in the case where a default occurs at a given time.

Note 3 – Significant accounting policies (Cont’d)

Financial instruments (Cont’d)

Classification and subsequent measurement (Cont’d)

Impairment (Cont’d)

The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses. Impairment losses on all financial assets other than loans to joint ventures are recorded in administration expenses in the consolidated statement of earnings of the REIT. Impairment losses on loans to joint ventures are recorded in net income (loss) from joint ventures. Also see Note 8. Impairment losses are grouped with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts in the consolidated statement of financial position.

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, *Non-current Assets Held for Sale and Discontinued Operations* 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 consolidated statement of earnings 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. On August 15, 2022, the REIT announced the suspension of its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of its September Distribution. The DRIP will remain suspended until further notice and commencing with the September Distribution, distributions of the REIT will be paid only in cash. The DRIP allowed eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT's election, were issued from treasury or purchased on the open market. If the REIT elected to issue units from treasury, such units were purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the relevant dividend payment date. The REIT could, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.

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* ("IAS 12") 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, Spain, 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, Germany and Spain. 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:

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. 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.

Business combinations

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 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.

Note 4 – Critical accounting judgments and estimates (Cont'd)

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.

Current tax liabilities

Current tax liabilities relating to proposed income tax reassessments are accounted for under IFRIC 23 – Uncertainty over Income Tax Treatments. The REIT has accounted for such amounts by recording a liability equal to the amount that best represents the expected payout, using the "most likely" estimation model. The significant assumptions used by management to determine the expected payout include the likelihood that the tax authorities will accept the REIT's proposed treatment versus the likelihood that the REIT's proposed treatment will be disallowed.

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, Germany and Spain.

On June 30, 2021, Management obtained regulatory approval for the conversion of CanCorpEurope into a Specialized Investment Fund ("SIF"). CCEU is an 89.18% owned subsidiary of the REIT that acts as a holding company for the REIT's European assets. The new legal name of CanCorpEurope after the conversion is CanCorpEurope S.A., SICAV-SIF ("CCEU"). A SIF is a regulated entity in Luxembourg that is not subject to Luxembourg taxes on income or capital gains. Subsequent to the conversion, dividend distributions to CCEU from INOPCI1, a French subsidiary of CCEU, are subject to a 15% withholding tax. CCEU was previously subject to withholding tax of 25% on any distributions from INOPCI1. Deferred income tax liabilities relating to distributions from INOPCI1 are based on the reduced rate of 15% and the assumption of the distribution of 50% of CCEU's net profits arising from capital gains upon the disposition of its investment properties (which results in an effective rate of 7.5%). The impact of this change was an increase to deferred income tax recovery of €3,436 ($4,941) and a decrease to deferred tax liabilities of an equal amount.

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 21.

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:

Amendments to IAS 1, *Presentation of Financial Statements ("IAS 1")* – 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 for annual reporting period beginning on or after January 1, 2023, with earlier adoption permitted. The amendments are to be applied retrospectively. Management is currently assessing the impact of the amendments.

Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Management is currently assessing the impact of the amendments.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. Management is currently assessing the impact of the amendments to determine the impact they will have on the REIT's accounting policy disclosures.

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

Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12, Income Taxes, which require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Management is currently assessing the impact of the amendments.

Note 6 – Acquisition of investment properties

Gaia property

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

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

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

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

Delgado property

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

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

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

Note 7 – Investment properties

Reconciliations of the carrying amounts of investment properties for the years ended December 31, 2022 and 2021 are as follow:

	2022	**2021**
Balance, beginning of year	**427,631**	**541,218**
Capex	**1,842**	1,403
Acquisition of Delgado investment property (including acquisition costs)	**43,154**	-
Acquisition of Gaia investment property (including acquisition costs)	**56,678**	-
Disposition of Jeuneurs investment property held by Jeuneurs SCI	-	(103,173)
Disposition of Veronese investment property held by Veronese SCI	**(39,386)**	-
Change in capitalized letting fees	**113**	(445)
Rent free periods	**172**	(7)
Net change in fair value of investment properties	**(58,393)**	29,419
Foreign currency translation adjustment	**5,611**	(40,784)
Balance, end of year	**437,422**	**427,631**

All of the REIT's investment properties with a fair value of $437,422 (2021 - $427,631) are pledged as security for an amount of $242,886 (2021 - $206,759) in mortgage loans and lease liabilities.

Note 7 – Investment properties (Cont’d)

On December 19, 2022, the REIT closed a transaction to sell the Veronese investment property, which is located in Courbevoie, France for a total consideration, net of transaction costs, of €26,548 ($38,440). The REIT had previously entered into a promise to sell relating to the Veronese investment property on December 19, 2020. The REIT paid transaction costs for an amount of €652 ($946), which include €272 ($394) in advisory fees paid to Inovalis SA, a related party of the REIT and €76 ($110) in broker fees paid to Advenis Conseil, a subsidiary of Inovalis SA. See Note 26 for further details. The REIT recognized a loss on sale of investment property of €652 ($946) relating to the sale. The loss is solely related to transaction costs paid by the REIT and has been recognized as a loss on disposal of investment properties within the consolidated statement of earnings.

On November 30, 2021, the REIT closed the sale of the Jeuneurs investment property, which is located downtown Paris, France, in the central business district, for a total consideration, net of transaction costs, of €68,448 ($99,185). The REIT paid transaction costs for an amount of €2,752 ($3,988) which include €712 ($1,056) in disposition fees paid to Inovalis SA, a related party to the REIT, €1,424 ($2,111) in broker fees paid to Advenis Real Estate Solutions, a subsidiary of Inovalis SA and €586 ($869) in unrecoverable VAT to local tax authorities. See Note 26 for further details. The REIT recognized a loss on sale of investment property of €2,752 ($3,988) relating to the sale.

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 24 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.

Note 7 – Investment properties (Cont'd)

Valuation of investment properties (Cont'd)

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. The techniques used by the REIT are the Direct Capitalization Method ("DC") and the Discounted Cash Flow Method ("DCF")

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.

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 cap 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, 2022.

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, 2022				As at December 31, 2021		
	France	Germany	Spain	Total	France	Germany	Total
Fair value of investment properties for financial reporting purposes							
Market value (in Euros) as estimated by external appraisers	**215,394**	**58,098**	**30,403**	**303,895**	231,896	67,699	299,595
Option costs	**(2,337)**	**-**	**-**	**(2,337)**	(2,221)	-	(2,221)
Adjusted market value in Euros	**213,057**	**58,098**	**30,403**	**301,558**	**229,675**	**67,699**	**297,374**
Exchange adjustment	**95,990**	**26,176**	**13,698**	**135,864**	100,603	29,654	130,257
Adjusted market value in CAD$	**309,047**	**84,274**	**44,101**	**437,422**	**330,278**	**97,353**	**427,631**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**	**Discounted Cash Flow Method**		Direct Capitalization Method	Direct Capitalization Method	
Number of years used in cash flow projection			**10**				
Capitalization rate / discount rate	**4.35% to 7.10%**	**5.20% to 6.25%**	**7.50%**		4.20% to 7.00%	5.00% to 5.50%	
Terminal capitalization rate	**5.57%**	**5.50%**	**-**		5.37%	5.00%	
Weighted average discount rate	**-**	**-**	**7.50%**		-	-	
Impact on the fair value of investment properties of :							
an increase of 25 bps on the cap rate and/or discount rate	**(13,670)**	**(3,688)**	**(1,423)**	**(18,781)**	(14,687)	(4,501)	(19,188)
a decrease of 25 bps on the cap rate and/or discount rate	**15,045**	**4,045**	**1,521**	**20,611**	16,179	4,961	21,140

Note 7 – Investment properties (Cont'd)

Valuation of investment properties (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, 2022			As at December 31, 2021		
	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	**25,849**	**165,100**	**190,949**	26,627	170,700	197,327
Option costs	**(449)**	**-**	**(449)**	(427)	-	(427)
Adjusted market value in Euros	**25,400**	**165,100**	**190,500**	**26,200**	**170,700**	**196,900**
Exchange adjustment	**11,443**	**74,378**	**85,821**	11,476	74,770	86,246
Adjusted market value in CAD$ - 100%	**36,843**	**239,478**	**276,321**	**37,676**	**245,470**	**283,146**
Adjusted market value in CAD$ - REIT's portion	**18,422**	**119,739**	**138,161**	**18,838**	**122,735**	**141,573**
Principal method used to value property	**Direct Capitalization Method**	**Direct Capitalization Method**		Direct Capitalization Method	Direct Capitalization Method	
Capitalization rate	**6.35%**	**5.30% to 5.50%**		6.00%	5.00% to 6.00%	
Terminal capitalization rate	**6.35%**	**5.39%**		6.00%	5.00%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate and/or discount rates	**(962)**	**(7,324)**	**(8,286)**	(1,048)	(7,726)	(8,774)
a decrease of 25 bps on the cap rate and/or discount rates	**1,041**	**8,037**	**9,078**	1,139	8,499	9,638

Right-of-use asset

The REIT leases various investment properties with a carrying amount of $193,152 (2021 – $232,351) under leases which begin to expire in approximately 5 years (2021: 6 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	Cologne[4]	Stuttgart	Delizy	Neu Isenburg	Kosching	SCCV[3,4]	Total
Balance -December 31, 2020	22,853	1,067	17,950	8,383	13,134	10,798	1,802	75,987
Additional investment for the year	-	-	-	941	-	-	-	941
Distributions declared	-	-	-	-	-	-	(1,715)	(1,715)
Share of net income (loss) from investments [1]	3,065	-	(1,975)	(1,067)	(81)	732	2	676
Impairment of investment in joint ventures	-	-	-	(2,738)	-	-	-	(2,738)
Repayment on loans to joint ventures	-	-	(759)	-	(708)	(693)	-	(2,160)
Disposals of interest in joint ventures	-	(1,017)	-	-	-	-	(5)	(1,022)
Exchange differences	(1,818)	(50)	(1,274)	(631)	(968)	(817)	(84)	(5,642)
Balance - December 31, 2021	24,100	-	13,942	4,888	11,377	10,020	-	64,327
Additional investment for the year	**-**	**-**	**-**	**171**	**-**	**-**	**-**	**171**
Share of net (loss) income from investments [1]	**(3,011)**	**-**	**1,636**	**(1,380)**	**117**	**(362)**	**-**	**(3,000)**
Impairment of loans to joint ventures[2]	**-**	**-**	**-**	**(585)**	**-**	**-**	**-**	**(585)**
Repayment on loans to joint ventures	**(4,028)**	**-**	**(452)**	**-**	**(192)**	**(630)**	**-**	**(5,302)**
Exchange differences	**(204)**	**-**	**191**	**(28)**	**94**	**29**	**-**	**82**
Balance - December 31, 2022	**16,857**	**-**	**15,317**	**3,066**	**11,396**	**9,057**	**-**	**55,693**

(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 $2,746 (2021 – $3,354) and are included in "Finance income from joint venture loans" (see Note 20).*

(2) *The REIT recorded an impairment charge to reduce the loan advanced to Delizy to its recoverable amount.*

(3) *On June 28, 2021, SCCV declared a distribution to pay out the remaining profit from the sale of the Rueil property. On November 18, 2021, €1,000 ($1,433) of the distribution was paid to the REIT.*

(4) *On June 29, 2021, the REIT sold its entire 6% interest in Cologne. On December 8, 2021, the REIT sold its entire 20% equity interest in SCCV.*

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

The balance of investments in joint ventures as at December 31, 2022 includes loans to joint ventures for an amount of $28,366 which is detailed as follows:

Loans to joint ventures	CCD	Stuttgart	Delizy	Neu Isenburg	Kosching	Total
Gross Balance - December 31, 2022	10,812	9,565	10,201	1,044	67	31,689
Less: Cumulative ECL	-	-	(3,323)	-	-	(3,323)
Net Balance - December 31, 2022	**10,812**	**9,565**	**6,878**	**1,044**	**67**	**28,366**
Gross Balance - December 31, 2021	14,946	9,957	9,956	1,234	728	36,821
Less: Cumulative ECL	-	-	(2,738)	-	-	(2,738)
Net Balance - December 31, 2021	**14,946**	**9,957**	**7,218**	**1,234**	**728**	**34,083**

2022

Delizy

In September 2022, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to Delizy such that interest payments for the months of November 2020 to December 2022 were due on January 31, 2023. No additional interest has been charged on any interest payments deferred. The situation will be re-assessed at the beginning of Q1 2023, and will depend on the REIT's ability to locate tenants for the portion of the building that is currently vacant. There was no impact on the REIT's income from joint ventures as a result of the above deferrals.

Neu-Isenburg

In September 2022, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to Neu-Isenburg such that interest payments for the months of March 2022 to December 2022 were due in early 2023. Interest payments were deferred due to a loan covenant restricting the payment of interest while leases for tenants are in the process of being renegotiated. No additional interest has been charged on any interest payments deferred. Subsequent to the year-end, negotiations for tenant leases were finalized and discussions are on-going with the bank to request recommencement of interest payments. There was no impact on the REIT's income from joint ventures as a result of the above deferral.

CCD

On May 13, 2022, CCD entered into a new loan agreement with a third-party lender for €33,000 ($47,867) and repaid the loan with its existing lender for €24,500 ($35,537). Any excess proceeds received as part of the refinancing were used to repay its outstanding shareholder loans. CCD repaid €2,940 ($4,028) on its shareholder loan to CCEU as a result of the refinancing. CCEU is an 89.18% owned subsidiary of the REIT.

Repayments on loans to joint ventures

During the year ended December 31, 2022, loan repayments of €330 ($452), €140 ($192) and €460 ($630) occurred respectively for Stuttgart, Neu-Isenburg and Kosching.

2021

CCD

On April 16, 2021, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to CCD for the months of November 2020 to December 2021. Interest payments for November and December 2020 were due or before December 31, 2021. Interest payments for January 2021 to December 2021 were due on or before December 31, 2022. As at December 31, 2021, interest for the months of November 2020 to March 2021 had been paid by CCD and interest for the months of April 2021 to December 2021 was outstanding, pending refinancing of the senior debt, which occurred in Q2 2022. No additional interest was charged on any interest payments deferred. There was no impact on the REIT's income from joint ventures as a result of the deferral.

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

Cologne

On June 29, 2021, the REIT sold its 6% interest in Cologne and the balance of its interest-bearing loan with Cologne to a related party, SC Advenis IMMO Capital, for a total consideration of €655 ($963). The REIT recognized a loss on sale of €73 ($108) relating to the disposition. Included in the loss on sale is €37 ($54) relating to transaction costs directly attributable to the sale. See Note 26 – Transactions with related parties.

Delizy

On July 16, 2021, the REIT entered into a separate agreement to defer monthly interest on its loan to Delizy such that interest payments for the months of November 2020 to September 2021 were due on October 1, 2021. On December 21, 2021 the REIT amended the interest deferral agreement such that interest payments for the months of November 2020 to March 2022 were now due on March 31, 2022. No additional interest was charged on any interest payments deferred. There was no impact on the REIT's income from joint ventures as a result of the above deferrals.

SCCV Rueil Le Lumiere

On December 8, 2021, the REIT sold its 20% interest in SCCV and the balance of its dividend receivable from SCCV to a third party, Neo Soleil, for a total consideration of €125 ($179). Included in the consideration was €2 ($2) was paid for the equity interest and €123 ($177) was paid for the dividend receivable. The REIT recognized a loss on sale of €103 ($146) relating to the disposition.

Repayments on loans to joint ventures

During the year ended December 31, 2021, loan repayments of €512 ($759), €478 ($708) and €468 ($693) occurred respectively for Stuttgart, Neu-Isenburg and Kosching.

Impairment on loans to joint ventures

Delizy

In December of 2022, the REIT obtained an updated appraisal of the value of the building held by Delizy. The appraisal reflected a further decline in the fair value from prior periods, such that the REIT's loan to Delizy continues to be not recoverable in its entirety if the building were to be realized at the appraised value. Based on the continued decline in fair value, together with the interest deferrals and other factors considered, the loan to Delizy has been determined to continue to be Stage 3 credit impaired as at December 31, 2022. As a result, an expected credit loss has been recorded based on the expected cash shortfall which was determined based on the fair value of the property, anticipated disposal costs and other assets and liabilities of the joint venture.

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.

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

Summarized financial information for joint ventures (Cont'd)

Summarised balance sheet	CCD		Stuttgart		Delizy		Neu Isenburg		Kosching		Total	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Current assets												
Cash and cash equivalents	1,804	534	2,790	2,432	220	998	4,015	1,634	645	603	9,474	6,201
Other current assets	564	(127)	2,758	2,294	1,586	1,019	716	688	404	256	6,028	4,130
Total current assets	**2,368**	**407**	**5,548**	**4,726**	**1,806**	**2,017**	**4,731**	**2,322**	**1,049**	**859**	**15,502**	**10,331**
Non-current assets	**85,356**	**92,143**	**67,166**	**62,765**	**36,192**	**37,061**	**51,783**	**53,083**	**38,293**	**40,408**	278,790	285,460
Current liabilities												
Financial liabilities	653	2,242	211	108	4,776	2,916	417	249	267	271	6,324	5,786
Other current liabilities	375	695	3,482	2,516	1,093	812	1,521	784	827	520	7,298	5,327
Total current liabilities	**1,028**	**2,937**	**3,693**	**2,624**	**5,869**	**3,728**	**1,938**	**1,033**	**1,094**	**791**	**13,622**	**11,113**
Non-current liabilities												
Financial liabilities	69,282	65,123	54,912	55,239	39,752	40,010	35,154	35,254	19,273	20,631	218,373	216,257
Other non-current liabilities	5,324	6,183	5,108	4,140	-	-	3,294	3,373	2,647	2,899	16,373	16,595
Total non-current liabilities	**74,606**	**71,306**	**60,020**	**59,379**	**39,752**	**40,010**	**38,448**	**38,627**	**21,920**	**23,530**	**234,746**	**232,852**
Net assets	**12,090**	**18,307**	**9,001**	**5,488**	**(7,623)**	**(4,660)**	**16,128**	**15,745**	**16,328**	**16,946**	**45,924**	**51,826**
REIT's share in %	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
REIT's share in CAD	6,045	9,154	4,501	2,744	(3,812)	(2,330)	8,064	7,873	8,164	8,473	22,962	25,914
Goodwill [1]	-	-	1,251	1,241	-	-	1,526	1,514	-	-	2,777	2,755
Acquisition costs	-	-	-	-	-	-	762	756	826	819	1,588	1,575
Loans to Joint Ventures	10,812	14,946	9,565	9,957	10,201	9,956	1,044	1,234	67	728	31,689	36,821
Impairment charge net of foreign exchange impact	-	-	-	-	(3,323)	(2,738)	-	-	-	-	(3,323)	(2,738)
Carrying amount	**16,857**	**24,100**	**15,317**	**13,942**	**3,066**	**4,888**	**11,396**	**11,377**	**9,057**	**10,020**	**55,693**	**64,327**

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

Summarised statement of comprehensive income	CCD		Cologne		Stuttgart		Delizy		Neu Isenburg		Kosching		SCCV		Total	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Net rental earnings	4,507	3,594	-	774	3,897	4,583	974	1,355	3,399	3,142	2,368	2,558	-	51	15,145	16,057
Administration expenses	(611)	(672)	-	(21)	(638)	(769)	(544)	(590)	(628)	(690)	(437)	(481)	-	(37)	(2,858)	(3,260)
Net change in fair value of investment properties	(7,023)	7,768	-	-	2,494	(7,117)	(1,090)	(833)	(1,671)	(1,808)	(2,329)	137	-	-	(9,619)	(1,853)
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on financial instruments at FVTPL	-	-	-	-	-	-	8	(11)	-	-	-	-	-	-	8	(11)
Finance income	-	-	-	690	-	-	-	-	-	-	-	-	-	-	-	690
Finance costs	(3,850)	(3,710)	-	(1,443)	(1,673)	(1,912)	(2,107)	(2,055)	(840)	(1,004)	(395)	(514)	-	-	(8,865)	(10,638)
Loss on disposal of an int.in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current income tax (expense) recovery	(2)	(2)	-	-	(7)	(13)	-	-	(110)	66	(193)	(108)	-	-	(312)	(57)
Deferred income tax recovery (expense)	957	(847)	-	-	(801)	1,278	-	-	83	132	262	(128)	-	-	501	435
(Loss) profit for the year	**(6,022)**	**6,131**	**-**	**-**	**3,272**	**(3,950)**	**(2,759)**	**(2,134)**	**233**	**(162)**	**(724)**	**1,464**	**-**	**14**	**(6,000)**	**1,363**
REIT's share in %	50%	50%	0%	6%	50%	50%	50%	50%	50%	50%	50%	50%	0%	20%		
Impairment on equity method investment	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
Share of net (loss) earnings from investments	**(3,011)**	**3,065**	**-**	**-**	**1,636**	**(1,975)**	**(1,380)**	**(1,067)**	**117**	**(81)**	**(362)**	**732**	**-**	**2**	**(3,000)**	**676**

Note 9 – Derivative financial instruments

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

		Period covered		Conversion from/to			As at December 31, 2022			
Classification and type	**Number of contracts**	**From**	**To**	**Euros or rate**	**$ or rate**	**Rate**	**Total notional amount**	**Fair value**	**Current**	**Non - current**
Other derivatives - assets										
Foreign exchange	21	1/10/23	9/10/24	916	1,400	1.5284	29,400	1,200	687	513
Interest rate SWAP	1	1/01/23	3/21/24	Variable	Fixed	0.230%	9,257	313	313	-
Interest rate CAP	1	12/31/21	12/31/24	Variable	Capped	1.000%	17,109	557	263	294
Interest rate SWAP	1	1/01/23	12/31/23	Variable	Fixed	0.230%	55,185	1,739	1,739	-
								3,809	**3,002**	**807**
Other derivatives - liabilities										
Foreign exchange	3	10/08/24	12/10/24	1,037	1,400	1.3494	4,200	(299)	-	(299)
								(299)	**-**	**(299)**

		Period covered		Conversion from/to			As at December 31, 2021			
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	1/10/22	10/11/22	1,179	1,800	1.5266	18,000	845	845	-
								845	**845**	**-**
Other derivatives										
Interest rate SWAP	1	1/01/22	1/10/23	Variable	Fixed	0.282%	50,647	(362)	(308)	(54)
Interest rate CAP	2	12/31/21	12/31/24	Variable	Capped	1.000%	62,499	(212)	(95)	(117)
Interest rate SWAP	2	1/01/22	3/21/24	Variable	Fixed	0.230%	75,053	(645)	(450)	(195)
								(1,219)	**(853)**	**(366)**

In September of 2022, as a result of the REIT's scheduled decrease in monthly distributions to unitholders, the REIT negotiated partial cancellations of each of its 23 monthly foreign exchange forward contracts with Banque Palatine, which cover the months of October 2022 to September 2024. The partial cancellations decreased the notional amount of each of the contracts from $2,200 to $1,400 and resulted in a realized gain to the REIT of €1,429 ($1,958). This realized gain has been recognized in other finance income (see Note 20).

The REIT also entered into three additional foreign currency forward contracts with Alpha Group, a United Kingdom publicly traded financial solutions provider. These contracts secure the exchange rates relating to 100% of the REIT's distributions for the months of October 2024 to December 2024.

In January of 2021, in conjunction with the sale of the Jeuneurs property, the REIT paid a fee to early terminate the interest-rate swap held within the Jeuneurs entity. The fee paid to exit the interest rate swap was €413 ($598) and the net cost has been included in Other finance costs (See Note 20).

Note 10 – Trade receivables and other financial assets

	Note	As at December 31, 2022	As at December 31, 2021
Trade receivables		**3,063**	2,088
Provision for impairment of trade receivables		**(669)**	(579)
Trade receivables		**2,394**	**1,509**
Other receivables		**3,233**	5,449
Other receivables - Inovalis SA	*26*	**331**	233
Interest receivable - Joint ventures - current		**2,269**	2,177
Other current financial assets		**5,833**	**7,859**
Total trade receivables and other financial assets		**8,227**	**9,368**

Note 11 – Other current assets

	As at December 31, 2022	As at December 31, 2021
VAT and other sales tax receivables	**2,996**	3,171
Prepaid expenses	**136**	260
Other current assets	**3,132**	**3,431**

Note 12 – Restricted cash

As at December 31, 2022, the restricted cash includes €900 ($1,305) in current assets in relation to the covenant deposit for the bank loan agreement relating to the Walpur property, €2,482 ($3,600), of which €87 ($127) is in current assets, in relation to a capital expenditure reserve for the TRIO property, €614 ($891) in non-current assets in relation to the cash reserve for the bank loan agreement relating to the Sabliere property, and €1,000 ($1,450) in current assets in relation to the guarantee deposit for the bank loan agreement relating to the Veronese property. While the bank loan for the Veronese property was discharged upon sale of the property on December 19, 2022 (see Note 7), the guarantee deposit was not released by the lender until January 9, 2023. As such, the amount remains classified as restricted cash as at December 31, 2022.

As at December 31, 2021, the restricted cash includes a guarantee deposit of €1,000 ($1,439) in relation to the bank loan agreement in place for the Veronese investment property (refer to Note 13) and €2,486 ($3,577), of which €36 ($52) is in current assets, in relation to capital expenditure reserve for the TRIO property.

Note 13 – Mortgage loans, lease liabilities and interest-bearing loan

Mortgage loans, and leases liabilities consist of the following:

			As at December 31, 2022		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	6/23/26	14,951	-	14,951
Mortgage loan - Cancorp Trio	1.56%	3/15/24	43,380	42,928	452
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	10/26/27	5,817	-	5,817
Mortgage loan - Walpur Four	1.43%	3/31/23	16,101	-	16,101
Mortgage loan - Gaia Nanterre SCI	1.91%	3/31/27	30,898	30,898	-
Mortgage loan - Cancorp Vegacinco	1.99%	3/31/27	23,134	22,428	706
Mortgage loans			**134,281**	**96,254**	**38,027**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	7/08/27	53,291	48,841	4,450
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	3/18/31	55,254	53,280	1,974
Lease liabilities			**108,545**	**102,121**	**6,424**
Total mortgage loans and lease liabilities			**242,826**	**198,375**	**44,451**

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

Note 13 – Mortgage loans, lease liabilities and interest-bearing loan (Cont'd)

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

	As at December 31, 2022		As at December 31, 2021	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**38,027**	**40,488**	44,046	44,838
After 1 year, but not more than 5 years	**96,254**	**99,271**	46,631	47,573
More than 5 years	**-**	**-**	2,031	2,147
	134,281	**139,759**	**92,708**	**94,558**
Less : future interest costs	**-**	**(5,478)**	-	(1,850)
Total mortgage loans	**134,281**	**134,281**	**92,708**	**92,708**

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

	As at December 31, 2022		As at December 31, 2021	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**6,424**	**8,305**	7,700	9,646
After 1 year, but not more than 5 years	**58,363**	**64,833**	25,792	32,678
More than 5 years	**43,758**	**46,673**	80,559	84,767
	108,545	**119,811**	**114,051**	**127,091**
Less : future interest costs	**-**	**(11,266)**	-	(13,040)
Total lease liabilities	**108,545**	**108,545**	**114,051**	**114,051**

2022

Loan covenant breaches

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

Baldi SCI

The REIT is in breach of the debt service coverage ratio ("DSCR") covenant on the mortgage loan within Baldi SCI as at December 31, 2022. The covenant requirement of 115% is in breach as a result of planned tenant vacancies within this entity in preparation for the future sale of the Baldi property. The total carrying amount of the loan is included as a current liability, due to the lender's right to repayment upon breach of the covenant. Subsequent to the year-end, the REIT signed a waiver with the lender waiving the lender's right to repayment until the end of Q2 2023.

Sabliere SCI

The REIT is in breach of the debt service coverage ratio ("DSCR") covenant on the mortgage loan within Sabliere SCI as at December 31, 2022. The covenant requirement of 120% is in breach as a result of planned developments and related refinancing of such developments within the entity. The total carrying amount of the loan is included as a current liability due to the lender's right to repayment upon breach of the covenant. Subsequent to the year-end, the REIT advanced funds to a cash reserve account with the lender such that the loan covenant breach was remediated.

Veronese SCI – Loan prepayment and loan covenant remediation

In conjunction with the sale of the Veronese Property (see Note 7) the REIT paid a fee in order to early terminate the loan payable held within the Jeuneurs entity. The fee paid was €20 ($27) and has been included in "Other finance costs" (see Note 20). By repaying the loan payable in full, the REIT remediated its breach of the DSCR covenant on the loan payable.

Walpur Four – Loan extension

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

The REIT has applied extinguishment accounting to account for the changes to the mortgage loan. A loss on extinguishment of mortgage loan of €38 ($53) has been recorded as part of "Other finance costs" (see Note 20).

Gaia – Loan origination

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

Delgado – Loan origination

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

Interest-bearing loan

The interest-bearing loan of €184 ($267) at December 31, 2022 (€249 ($358) at December 31, 2021), is repayable to Inovalis Luxembourg which is a subsidiary of Inovalis SA. This loan has a 5.5 year term and bears a market practice interest at a fixed rate of 6.5%.

2021

Loan covenant breaches

As at December 31, 2021, the REIT was in breach of certain covenants on two of its mortgage loans with third-party lenders, as follows:

Sabliere SCI

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

Veronese SCI

The REIT was in breach of the DSCR covenant on the mortgage loan within Veronese SCI as at December 31, 2021. The requirement to maintain a DSCR greater than 110% was in breach as a result of planned tenant vacancies within this entity required as a condition to execute to the promise to sell signed in the property within the entity. The entire carrying amount of the loan was classified as a current liability due to the lender's right to repayment upon breach of the covenant.

Loan prepayment - SCI Jeuneurs

In conjunction with the sale of the Jeuneurs Property (see Note 7), the REIT paid a fee in order to early terminate the loan payable held within the Jeuneurs entity, for which the Jeuneurs Property was initially used as collateral. The fee paid was €134 ($195) and has been included in "Other finance costs" (see Note 20).

Note 14 – Exchangeable securities

Exchangeable securities issued and outstanding	Exchangeable securities	
	Number of Exchangeable securities	**Carrying amount of Exchangeable securities**
Balance - December 31, 2020	**1,113,663**	**9,945**
Conversion of exchangeable securities into units of the REIT	(175,627)	(1,665)
Net change in fair value of exchangeable securities	-	735
Balance - December 31, 2021	**938,036**	**9,015**
Net change in fair value of exchangeable securities	**-**	**(5,479)**
Balance - December 31, 2022	**938,036**	**3,536**

Exchangeable securities in escrow	As at December 31, 2022	
	Number not in escrow - presented as current	**Total number of Exchangeable securities**
Number of exchangeable securities - outstanding - beginning of year	938,036	938,036
Securities converted into units	-	-
Number of exchangeable securities - outstanding - end of year	**938,036**	**938,036**
Classification of liabilities for exchangeable securities ($)	3,536	3,536

Exchangeable securities in escrow	As at December 31, 2021	
	Number not in escrow - presented as current	**Total number of Exchangeable securities**
Number of exchangeable securities - outstanding - beginning of year	1,113,663	1,113,663
Securities converted into units	(175,627)	(175,627)
Number of exchangeable securities - outstanding - end of year	**938,036**	**938,036**
Classification of liabilities for exchangeable securities ($)	9,015	9,015

Distribution in respect of Exchangeable securities:

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

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

	Note	2022	2021
Amount payable at the beginning of the year		**249**	265
Declared and recognized in earnings during the year		**645**	1,238
Distribution on exchangeable securities paid in cash		**(658)**	(1,254)
Amount payable at the end of the year	*15*	**236**	**249**

Note 15 – Trade and other payables

	Note	As at December 31, 2022	As at December 31, 2021
Trade payables		**7,032**	6,806
Trade payables		**7,032**	**6,806**
Other payables		**498**	399
Other payables - Joint ventures		**740**	505
Distributions payable	*22*	**1,133**	2,240
Distributions payable - Inovalis SA	*26*	**236**	249
VAT payable		**9,321**	1,049
Other payables		**11,928**	**4,442**
Total trade and other payables		**18,960**	**11,248**

Note 16 – 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 14 – Exchangeable Securities) for the purpose of providing voting rights with respect to the REIT to the holders of such securities. As at December 31, 2022 and 2021, 938,036 Special Voting Units were issued and outstanding.

Normal course issuer bid

On April 17, 2020 the TSX approved the REIT's intention to make a normal course issuer bid ("NCIB") to acquire up to a maximum of 2,622,412 of its units, or approximately 10% of its public float as of April 15, 2020 over the next 12 months for cancellation. The number of units that could be purchased pursuant to the NCIB was subject to a current daily maximum of 20,890 units, subject to the REIT's ability to make one block purchase of units per calendar week that exceeds such limits.

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

On August 15, 2022, the REIT announced the suspension of its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of its September Distribution. The DRIP will remain suspended until further notice and commencing with the September Distribution, distributions of the REIT will be paid only in cash. The DRIP allowed eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT's election, were issued from treasury or purchased on the open market. If the REIT elected to issue units from treasury, such units were purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the relevant dividend payment date. The REIT could, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.

Note 16 – Trust Units (Cont’d)

Normal course issuer bid (Cont’d)

Upon reinstatement of the DRIP, plan participants enrolled in the DRIP at the time of its suspension who remain enrolled at the time of its reinstatement will automatically resume participation in the DRIP.

The DRIP was originally reinstated effective as of the April 2022 distribution for Unitholders of record on April 29, 2022. Unitholders that were enrolled in the DRIP at the time of its previous suspension at April 30, 2020 and had not subsequently withdrawn, automatically resumed participation in the DRIP as at the date of the original reinstatement of the plan.

Transactions relating to trust units

2022

During the year ended December 31, 2022, the REIT issued 190,890 units as a result of the DRIP for $1,188 at a weighted average price of $6.22. See Note 22 – Distributions for further details.

2021

During the year ended December 31, 2021, the REIT issued 11,597 units for $112 at a weighted average price of $9.66 in exchange for 11,597 DSUs.

During the year ended December 31, 2021, the REIT converted 175,627 Exchangeable Securities in the amount of $1,665 into 175,627 units of the REIT (Note 14 – Exchangeable Securities).

Note 17 – 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		Total	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Current assets												
Cash and cash equivalents	227	840	29	18	32	16	549	918	361	8,610	1,198	10,402
Other current assets	672	411	688	552	528	280	2,059	1,255	349	328	4,296	2,826
Total current assets	**899**	**1,251**	**717**	**570**	**560**	**296**	**2,608**	**2,173**	**710**	**8,938**	**5,494**	**13,228**
Non-current assets	**24,234**	**24,850**	**15,193**	**15,875**	**19,501**	**21,071**	**96,976**	**88,333**	**117,196**	**159,252**	**273,100**	**309,381**
Current liabilities												
Financial liabilities	176	175	122	122	155	155	1,975	3,259	4,450	4,441	6,878	8,152
Other current liabilities	14	160	844	504	752	432	1,473	996	280	3,361	3,363	5,453
Total current liabilities	**190**	**335**	**966**	**626**	**907**	**587**	**3,448**	**4,255**	**4,730**	**7,802**	**10,241**	**13,605**
Non-current liabilities												
Financial liabilities	16,646	16,633	11,718	11,744	14,809	14,852	54,054	55,148	48,841	52,832	146,068	151,209
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	**16,646**	**16,633**	**11,718**	**11,744**	**14,809**	**14,852**	**54,054**	**55,148**	**48,841**	**52,832**	**146,068**	**151,209**
Equity	**8,297**	**9,133**	**3,226**	**4,075**	**4,345**	**5,928**	**42,082**	**31,103**	**64,335**	**107,556**	**122,285**	**157,795**
Equity attribuable to non-controlling interest	**385**	**428**	**138**	**182**	**188**	**269**	**423**	**312**	**64**	**108**	**1,198**	**1,299**

Note 17 – Non-controlling interest (Cont'd)

Summarised statement of comprehensive income	Cancorp Trio 1		Cancorp Trio 2		Cancorp Trio 3		SCI Metropolitain		SCI Lenine Arcueil		Total	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Net rental earnings	1,485	1,538	1,010	1,101	827	804	4,060	3,268	9,750	10,257	17,132	16,968
Administration expenses	(118)	(204)	(95)	(134)	(94)	(160)	(199)	(322)	(270)	(441)	(776)	(1,261)
Net change in fair value of investment properties	(1,859)	(1,039)	(1,393)	(796)	(1,869)	(871)	4,477	(255)	(43,655)	(239)	(44,299)	(3,200)
Net change in fair value of financial derivative	-	-	-	-	-	-	2,602	1,065	-	-	2,602	1,065
Finance income	-	-	-	-	-	-	-	-	-	-	-	-
Finance costs	(366)	(491)	(355)	(478)	(405)	(540)	(3,227)	(3,651)	(681)	(5,170)	(5,034)	(10,330)
Current income tax (expense)	(6)	(20)	(2)	(6)	(2)	(10)	-	-	-	-	(10)	(36)
Deferred income tax (expense)	-	204	-	143	-	181	-	-	-	-	-	528
Profit (loss) for the year	**(864)**	**(12)**	**(835)**	**(170)**	**(1,543)**	**(596)**	**7,713**	**105**	**(34,856)**	**4,407**	**(30,385)**	**3,734**
Profit (loss) allocated to non-controlling interest	**(44)**	**(1)**	**(42)**	**(8)**	**(79)**	**(30)**	**77**	**1**	**(35)**	**4**	**(123)**	**(34)**

Note 18 – Revenue

Revenue from investment properties consists of the following:

	2022	2021
Regular rents	**25,412**	28,115
Amortization of (lease incentives) rent free periods	**(35)**	79
Rental income	**25,377**	28,194
Property operating cost recoveries	**5,525**	5,974
Total revenue	**30,902**	**34,168**

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

	2022	2021
Within 1 year	**21,567**	22,530
After 1 year, but not more than 5 years	**34,040**	28,508
More than 5 years	**6,090**	6,227
Future minimum lease receivable under non-cancellable operating leases	**61,697**	**57,265**

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

	2022	2021
Taxes	**2,289**	2,244
Insurance	**149**	196
Property management fees	**895**	1,221
Utilities and other cost recoveries	**2,192**	2,313
Property operating cost recoveries	**5,525**	**5,974**

In 2022 and 2021, one tenant accounted for more than 10% of rental income: Orange (2022 - 36%, 2021 – 44%).

Note 19 – Expenses

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

	2022	2021
Property tax expense	**(3,188)**	(3,050)
Insurance	**(214)**	(245)
Property management fees	**(998)**	(1,303)
Utilities	**(5,015)**	(4,987)
Total property operating costs	**(9,415)**	**(9,585)**

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

	2022	2021
Asset management fees	**(2,306)**	(2,760)
Less : amount invoiced to joint ventures	**1,089**	1,179
	(1,217)	(1,581)
Professional fees for accounting, tax and audit	**(2,449)**	(2,573)
Legal expenses	**(727)**	(618)
Other legal expenses related to strategic review and SIF conversion	**-**	(1,359)
Trustee fees	**(189)**	(792)
Travel expenses	**(512)**	(63)
Governance expenses	**(349)**	(400)
Bank and depositary fees	**(338)**	(141)
Listing and transfer agent fees	**(81)**	(86)
Other general and administrative expenses	**(1,112)**	(779)
Total general and admnsitrative expenses	**(6,974)**	**(8,392)**

For the years ended December 31 2022 and 2021, eviction and disposal costs consist of expenses incurred by the REIT to evict tenants from the Veronese property in preparation for its sale.

As at December 31, 2022, all eviction and disposal costs had been paid out to tenants. As at December 31, 2021, liabilities relating to eviction and disposal costs were recorded within trade payables (See Note 15). As at December 31, 2021, there remained uncertainty with respect to the timing and amount of the payments for €916 ($1,317) of the eviction and disposal costs. The major assumptions used to calculate the estimates for these costs included the expected timing of the evictions and the status and expected proceedings of negotiations with the tenants in place.

Note 20 – Finance costs and finance income

	2022	2021
Interest costs related to mortgage loans	**(2,475)**	(2,780)
Interest costs related to lease liabilities	**(2,321)**	(2,167)
Interest costs related to lease equalization loans	-	(35)
	(4,796)	**(4,982)**
Interest SWAP and CAP	**(432)**	(1,281)
Other finance costs	**(245)**	(1,145)
	(5,473)	**(7,408)**
Amortization of transaction costs on mortgage loans	**(293)**	(84)
Finance costs	**(5,766)**	**(7,492)**
Finance income from joint venture loans	**2,746**	3,354
Other finance income	**3,959**	348
Finance income	**6,705**	**3,702**

Note 21 – Income taxes

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

Income tax expense	2022	2021
Income taxes computed at the Canadian statutory rate of Nil applicable to the Trust as at December 31, 2022 and 2021	-	-
Deferred income tax recovery applicable to corporate subsidiaries	**4,357**	2,350
Deferred tax recovery related to prior year adjustments	**215**	-
Deferred tax recovery related to change in tax rates	-	4,827
Deferred tax recovery on recognition of previously unrecognized tax losses and temporary differences of a prior period	-	321
Deferred tax expense related to unrecognized tax benefit	**(1,601)**	-
Current tax expense on distribution of profit from sale of properties	**(112)**	(5,980)
Current tax expense on proposed reassessments	**(44)**	(2,081)
Other	**(35)**	(27)
Income tax recovery (expense)	**2,780**	**(590)**

The sources of deferred tax balances and movements are as follows:

Deferred tax liability	December 31, 2021	Net Income	Recognized in OCI	December 31, 2022
Deferred taxes related to non-capital losses	(514)	285	13	(216)
Deferred tax liabilities related to difference in tax and book basis related to real estate, net	5,455	(3,256)	(144)	2,055
	4,941	**(2,971)**	**(131)**	**1,839**

Deferred tax liability	December 31, 2020	Net Income	Recognized in OCI	December 31, 2021
Deferred taxes related to non-capital losses	(70)	(402)	(42)	(514)
Deferred tax liabilities related to difference in tax and book basis related to real estate, net	13,282	(7,096)	(731)	5,455
	13,212	(7,498)	(773)	4,941

As at December 31, 2022, the REIT has unutilized tax losses of €8,252 ($11,970) (December 31, 2021 - €6,424 ($9,238)) within its German subsidiaries for which a deferred tax asset has not been recognized. A deferred tax asset has not been recognized in respect of such 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. These losses can be carried forward indefinitely by the REIT.

Note 21 – Income taxes (Cont'd)

As at December 31, 2022, the REIT has deductible temporary differences of €4,482 ($6,501) (December 31, 2021 - €NIL) for which a deferred tax asset has not been recognized. The deductible temporary differences relate to properties for which the tax basis exceeds the accounting basis.

The income tax payable balance of $2,039 ($2,167 - December 31, 2021) represents management's best estimate for the amount payable following a tax reassessment which is currently being disputed with the French tax authorities.

Note 22 – Distributions

	Note	2022	2021
Amount payable at the beginning of the year		**2,240**	2,227
Declared and recognised during the year		**22,452**	36,704
Distributions paid in units		**(1,188)**	-
Paid in cash		**(22,371)**	(36,691)
Amount payable at the end of the year	*15*	**1,133**	**2,240**

In December 2022, the distribution of $1,133 for the month of December was declared, all of which was paid on January 15, 2023.

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.

On August 15, 2022, the REIT announced a reduction to its monthly distribution to unitholders from $0.068750 per unit to $0.034375 per unit, or from $0.8250 to $0.4125 on an annualized basis. The decrease in monthly distribution is effective beginning with the REIT's September 2022 distribution, which was paid to Unitholders in October 2022. The retained cash flow available as a result of the reduction in monthly distribution will be used by the REIT to fund redevelopment projects.

On August 15, 2022 the REIT also announced the cancellation of a previously announced initiative to automatically distribute of 50% of all profits received from the sale of its properties to its unitholders.

Distributions in respect of Exchangeable Securities are detailed in Note 14 – Exchangeable Securities.

Note 23 – Accumulated other comprehensive income

	As at December 31, 2022	As at December 31, 2021
Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities	**2,820**	1,796
Cumulative translation adjustment account	**6,546**	7,259
Accumulated other comprehensive income	**9,366**	**9,055**

Note 24 – 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, 2022, after taking into consideration the effect of interest rate floor and interest rate cap, 73% of the REIT's long-term debt obligations has no exposure to interest rate risk (2021 – 73%).

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.

		As at December 31, 2022	
Interest rate sentivity	**Net debt exposure**	**Impact on net income**	**Impact on comprehensive income**
	128,464		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on net income and equity		(642)	(642)

		As at December 31, 2021	
Interest rate sentivity	**Net debt exposure**	**Impact on net income**	**Impact on comprehensive income**
	59,294		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on net income and equity		(296)	(296)

Note 24 – Risk arising from financial instruments (Cont'd)

Currency risk

		As at December 31, 2022		
		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		571	91,126	91,697
Monetary liabilities denominated in other than functional currency		-	(264,321)	(264,321)
Net exposure in respect of monetary items denominated in other than functional currency		571	(173,195)	(172,624)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)		-	(33,600)	(33,600)
Net exposure		571	(206,795)	(206,224)
Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	57	(20,680)	(20,622)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	(57)	20,680	20,622

		As at December 31, 2021		
		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		662	124,483	125,145
Monetary liabilities denominated in other than functional currency		-	(218,849)	(218,849)
Net exposure in respect of monetary items denominated in other than functional currency		662	(94,366)	(93,704)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)		-	(39,600)	(39,600)
Net exposure		662	(133,966)	(133,304)
Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	66	(13,397)	(13,330)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	(66)	13,397	13,330

The REIT operates in France, Germany and Spain, 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 offsets its foreign currency exposure from its foreign operations using foreign currency exchange contracts. The exchange rates relating to 100% of the REIT's net investments are secured by foreign currency forward contracts. Refer to Note 9 for a summary of the foreign exchange contracts in place.

Under the previous program, the REIT entered into foreign currency forward contracts with Credit Agricole, which covered the months of November 2020 to October of 2022. Monthly foreign currency forward contracts under the program with Credit Agricole were designated as hedges of the REIT's net investment in its foreign operations.

In September 2022, as a result of the REIT's scheduled decrease in monthly distributions to unitholders, the REIT negotiated a partial cancellation of each monthly contract within its new, two-year program for foreign currency forward contracts with Banque Palatine. In October 2022, the program for monthly foreign currency forward contracts with Banque Palatine commenced. This program secures the exchange rates relating to 100% of the REIT's distributions for the months of November 2022 to October of 2024. Also see Note 9. The REIT has not designated these contracts as hedges of its net investment in its foreign operations.

In addition to the program with Banque Palatine, the REIT also entered into three additional foreign currency forward contracts with Alpha Group, a United Kingdom publicly traded financial solutions provider. These contracts secure the exchange rates relating to 100% of the REIT's distributions for the months of October 2024 to December 2024. The REIT has not designated these contracts as hedges of its net investment in its foreign operations.

Note 24 – 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, 2022.

Loan to joint ventures

Credit risk relating to loans to joint ventures is mitigated through recourse against such parties and/or the underlying real estate. The REIT monitors the debt service ability of the properties underlying the loans and the fair values thereof in order 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 losses for tenant receivables has been minimally impacted by the COVID-19 pandemic and other prevailing economic conditions and uncertainty as at the balance sheet date. 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 reviews accounts receivable and monitors past due balances.

Cash deposit and derivatives

Credit risk on cash and derivative financial instruments is managed through selecting appropriate financial institutions. The REIT holds its cash deposits in bank accounts with a diversified group of large public financial institutions in France, Germany and Spain. Financial institutions are selected based on their quality of credit rating and their level of financial transparency. The REIT enters into its derivative financial contracts by utilizing large, public financial services firms or mid-sized, public financial services firms at which balances are backed by large, public financial services firms.

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 24 – Risk arising from financial instruments (Cont'd)

Liquidity risk (Cont'd)

As at December 31, 2022	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	16,503	23,985	99,271	-	**139,759**
Leases principal and interest	-	8,305	64,833	46,673	**119,811**
Interest-bearing loan	-	22	-	245	**267**
Exchangeable securities (value of securities plus interest on notes)	97	290	1,548	3,536	**5,471**
Tenant deposits	-	303	1,041	1,027	**2,371**
Derivative financial instruments	-	-	299	-	**299**
Trade and other payables	6,127	3,512	-	-	**9,639**
Total	**22,727**	**36,417**	**166,992**	**51,481**	**277,617**

As at December 31, 2021	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Mortgage loans	26,843	17,995	47,573	2,147	**94,558**
Leases principal and interest	-	9,646	32,678	84,767	**127,091**
Interest-bearing loan	-	24	-	334	**358**
Exchangeable securities (value of securities plus interest on notes)	193	580	3,096	9,015	**12,884**
Tenant deposits	-	277	276	896	**1,449**
Derivative financial instruments	-	366	853	-	**1,219**
Trade and other payables	6,164	4,035	-	-	**10,199**
Total	**33,200**	**32,923**	**84,476**	**97,159**	**247,758**

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 24 – 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, 2022, and 2021:

As at December 31, 2022

	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			28,366		**28,366**
Derivative financial instruments	3,809				**3,809**
Trade receivables and other financial assets			8,227		**8,227**
Restricted cash			7,318		**7,318**
Cash			45,176		**45,176**
Total financial assets	**3,809**	**-**	**89,087**	**-**	**92,896**
Financial liabilities					
Mortgage loans				134,281	**134,281**
Tenant deposits				2,371	**2,371**
Exchangeable securities		3,536			**3,536**
Derivative financial instruments	299				**299**
Trade and other payables				9,639	**9,639**
Total financial liabilities	**299**	**3,536**	**-**	**146,291**	**150,126**

As at December 31, 2021

	Measured at Fair Value		Measured at amortized cost		
	Derivatives at FVTPL	**Designated as FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to joint ventures			34,083		**34,083**
Derivative financial instruments	845				**845**
Trade and other financial assets			9,368		**9,368**
Restricted cash			5,016		**5,016**
Cash			76,627		**76,627**
Total financial assets	**845**	**-**	**125,094**	**-**	**125,939**
Financial liabilities					
Mortgage loans				92,708	**92,708**
Tenant deposits				1,449	**1,449**
Exchangeable securities		9,015			**9,015**
Derivative financial instruments	1,219				**1,219**
Trade and other payables				10,199	**10,199**
Total financial liabilities	**1,219**	**9,015**	**-**	**104,356**	**114,590**

Note 24 – 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, 2022	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	28,366	28,366
Financial liabilities			
Mortgage loans	2	134,281	133,425
Tenant deposits	2	2,371	2,371

As at December 31, 2021	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	34,083	34,083
Financial liabilities			
Mortgage loans	2	92,708	94,834
Tenant deposits	2	1,449	1,449

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

- The fair value of the loans to joint venture 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.

- Mortgage loans 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, 2022 and 2021.

- The fair value of tenant deposits is 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.

The fair value of the mortgage loans has been determined by discounting the cash flows of these financial obligations using December 31, 2022, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2022, of the mortgage loans has been estimated at $133,425 (December 31, 2021 – $94,834) compared with the carrying value before deferred financing costs of $134,281 (December 31, 2021 – $92,708). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

Note 24 – 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, 2022	Level 2	Level 3	Total
Investment properties	-	437,422	**437,422**
Derivative financial instruments - assets	3,809	-	**3,809**
Derivative financial instruments - liabilities	(299)	-	**(299)**
Exchangeable securities	(3,536)	-	**(3,536)**

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

There were no transfers between any level during the years ended December 31, 2022, and 2021.

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.

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

- The fair value of derivative financial instruments is determined based on discounted cash flows using interest rate yield curves and 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.

Note 25 – 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.

	As at December 31, 2022	As at December 31, 2021
Outstanding at beginning of year	**20,250**	48,850
Granted DU	**18,285**	10,294
Elected DU	**4,465**	-
Cancelled DU	**-**	(6,166)
Exercised	**(4,726)**	(33,900)
ADUs earned	**1,124**	1,172
Outstanding at end of year	**39,398**	**20,250**

As of December 31, 2022, 39,398 DSUs are outstanding and 160,602 DSUs are available for grant under the DSU Plan.

There were 4,726 DSUs exercised during the year ended December 31, 2022 which resulted in a decrease in the DSU plan liability by $17 (December 31, 2021 – $325). For the year ended December 31, 2022, the REIT recorded a recovery of $31 and a decrease to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2022 was $62 and was included in Trade and other payables.

For the year ended December 31, 2021, the REIT recorded an expense of $128 and an increase to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2021 was $110 and was included in Trade and other payables.

Note 26 – 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 14 - 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	2022	2021
Revenues				
Rental income	Rental income		4	2
			4	**2**
Expenses				
Asset management fees	Administration expenses	*A*	**(1,217)**	(1,581)
Facilities management fees	Service charge expenses		**(293)**	(361)
Property management fees	Service charge expenses	*B*	**(998)**	(1,287)
Letting fees invoiced	Service charge expenses		**(79)**	(72)
less portion accounted for over the lease term	Service charge expenses		**70**	59
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**(645)**	(1,238)
Interest expense on lease equalization loans	Finance costs		**-**	(35)
Reimbursment of travel expenses	Administration expenses		**(512)**	(63)
Trustee fees	Administration expenses		**(189)**	(792)
Acquisition and broker fees	Net change in fair value of investment properties		**(1,508)**	-
Disposition and broker fees	Loss on disposal of investment properties		**(504)**	(3,652)
			(5,875)	**(9,022)**
Unitholders' Equity				
Conversion of Exchangeable securities into units of the REIT	Issuance of Units	*14*	-	(1,665)
			-	**(1,665)**

(A) *Asset management fees of $2,306 and $2,760 as at December 31, 2022, and December 31, 2021, respectively, correspond to the asset management fees earned for the entire portfolio, including $1,089 and $1,179 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.*

Note 26 – Transactions with related parties (Cont'd)

Inovalis and its subsidiaries	Note	Due from (to) Inovalis SA As at December 31, 2022	As at December 31, 2021
Assets			
Trade and other receivables	*10*	**331**	233
		331	**233**
Liabilities			
Interest-bearing loan		**267**	358
Distributions payable	*14*	**236**	249
Exchangeable securities	*14*	**3,536**	9,015
		4,039	**9,622**

On March 24, 2021, the Board of Trustees approved a two-year extension of the Management Agreement with Inovalis SA that became effective on April 1, 2021.

The following modifications were approved in the amended and management agreement:

- **Term:** The extension is for two (2) years ending on March 31, 2023. The agreement may be renewed upon mutual agreement of the parties for an additional term of one (1) year.
- **Asset Management Fees:** Will be calculated as a percentage of Assets Under Management in accordance with the following scale:

Assets Under Management	Annual Asset Management Fee
On the first $1.0 billion	0.5%
From $1.0 billion to $2.0 billion	0.4%
On $2.0 billion and over	0.3%

  The asset management fee will be further reduced by $500,000 once the REIT Finance Function Internalization is completed.
- **Disposition Fees:** Inovalis S.A. will receive a cash fee equal to (a) 1.0% of the gross proceeds resulting from any disposition of a property completed by Inovalis S.A or (b) 0.5% of Assets Under Management in the event of (i) a change of control of the REIT which results in a termination of the management agreement, (ii) a sale of all or substantially all of the assets of the REIT, or (iii) a sale or other disposition of CanCorpEurope S.A. In all cases, a disposition fee will only be payable to the extent that the net proceeds of any sale or disposition are paid to or distributed as a special distribution to Unitholders of the REIT. Furthermore, only one disposition fee shall be payable for each individual asset disposed of, and no disposition fee shall be payable on a change of control of the REIT to the extent that Inovalis S.A. takes any action to oppose the change of control.
- **G&A Budget:** The REIT and Inovalis S.A. will agree to a budget for general and administrative expenses on an annual basis (the "G&A Budgeted Amount"), with any additional proposed expenditures to be approved by the Audit Committee of the REIT. Inovalis S.A. will be obligated to reimburse the REIT for amounts in excess of the G&A Budgeted Amount based on a scale. In the event that the actual G&A expenses of the REIT are significantly less than the G&A Budgeted Amount, the REIT shall pay to Inovalis S.A. an additional fee based on the percentage of the savings in accordance with the following scale:

Percentage of Excess under G&A Budgeted Amount	Percentage of Saved G&A to be paid by the REIT to Inovalis SA
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

Note 26 – Transactions with related parties (Cont'd)

- **Manager Reimbursement:** The Manager will reimburse the REIT for any general and administrative expenses in excess of the Annual G&A Budgeted Amount in accordance with the following scale:

Percentage of Excess over G&A Budgeted Amount	Percentage of Excess G&A to be reimbursed by Inovalis S.A. to the REIT
0% - 10%	Nil
10% - 15%	20%
15% - 20%	30%
20% - 25%	50%
25%+	100%

  Also, from January 1, 2021 until the completion of the REIT Finance Function Internalization, Inovalis S.A. will reimburse the REIT for 50% of all costs related to the REIT Finance Functions.
- **Change of Control:** Upon the occurrence of a change of control of the REIT, the Board of Trustees has the option to terminate the Management Agreement, exercisable within 90 days.

Subsequent to the year-end, on March 27, 2023, the Board of Trustees approved a three-year extension of the Management Agreement with Inovalis SA, extending to March 31, 2026. Also see Note 31.

Inovalis SA – Asset manager

On December 19, 2022, the REIT closed the sale of the Veronese investment property to SAS Courbevoie Dubonnet, a company incorporated by three investors, one of which is a subsidiary of Inovalis SA, the asset manager of the REIT. The three investors each have 33.33% of the ownership of SAS Courbevoie Dubonnet. In conjunction with the sale, the REIT paid €272 ($394) in disposition fees to Inovalis SA and paid a portion of broker fees of €76 ($110) to Advenis Real Estate Solutions, a subsidiary of Inovalis SA.

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

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

On November 30, 2021, the REIT closed the sale of the Jeuneurs investment property to a third-party investor. In conjunction with the sale, the REIT paid €712 ($1,056) in disposition fees to Inovalis SA and €1,424 ($2,111) in broker fees to Advenis Real Estate Solutions, a subsidiary of Inovalis SA. See Note 7 for further details.

Note 26 – Transactions with related parties (Cont'd)

Joint ventures

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

	Financial statement line item	2022	2021
Management fees invoiced to joint ventures	Administration expenses	**(1,089)**	(1,179)
Property management fees	Service charge expenses	**(259)**	(252)
Letting fees invoiced	Service charge expenses	**(196)**	(19)
less portion accounted for over the lease term	Service charge expenses	**194**	16
Finance income	Finance income	**2,746**	3,354
		1,396	**1,920**

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.

	Financial statement line item	As at December 31, 2022	As at December 31, 2021
Assets			
Loan receivable	Investments accounted for using the equity method	**28,366**	34,083
Interest receivables	Other financial assets - current	**2,269**	2,177
		30,635	**36,260**
Liabilities			
Balance of sale payable	Trade and other payables	**740**	505
		740	**505**

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.

	2022	2021
Wages, fees and other benefits	(189)	(792)
	(189)	**(792)**

Note 27 – 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 loans, its lease liabilities, and the Exchangeable Securities.

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 49% of its GBV as at December 31, 2022 (2021 – 42%).

	2022	2021
Investment properties	**437,422**	427,631
Investments in joint ventures	**55,693**	64,327
Gross book value	**493,115**	**491,958**
Mortgage loans - non-current	**96,254**	48,662
Lease liabilities - non-current	**102,121**	106,351
Mortgage loans - current	**38,027**	44,046
Lease liabilities - current	**6,424**	7,700
Total indebtedness	**242,826**	**206,759**
Total indebtedness as a % of gross book value	**49.0%**	42.0%

Note 28 – Contingent liabilities and financial guarantees

Commitments given

Guarantees provided by the REIT with respect to its long-term debt include a preferential claim held by the mortgage lenders on the Sabliere, Baldi, Walpur, Gaia, Delgado and Trio 1, 2, 3 properties in the amount of €119,509 ($173,348).

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

The companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3, SCI Baldi, SCI Sabliere, and Walpur also need to comply with banking covenants. The REIT is in breach of the debt service coverage ratio banking covenant on the mortgage loans held within SCI Baldi and SCI Sabliere at December 31, 2022. (See Note 13). The REIT is in compliance with all other covenants as at December 31, 2022.

Second rank mortgages on the building were granted by the company SCI Sabliere. Finally, the companies Cancorp Trio 1, Cancorp Trio 2, Cancorp Trio 3 have set up a capex reserve for €2,482 ($3,600).

Tenant commitments received

The companies SCI Metropolitain, 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 €1,838 ($2,665).

Note 29 – Geographical information

Total revenue by geographic region For the years ended December 31,	Rental income 2022	 2021	Property operating cost recoveries 2022	 2021	2022	2021
France	17,954	22,981	4,211	4,744	**22,165**	27,725
Germany	5,481	5,213	1,314	1,230	**6,795**	6,443
Spain	1,942	-	-	-	**1,942**	-
	25,377	**28,194**	**5,525**	**5,974**	**30,902**	**34,168**

Investment properties and investments in joint ventures by geographic region	As at December 31, 2022	As at December 31, 2021
France	**336,046**	367,665
Germany	**112,968**	124,293
Spain	**44,101**	-
	493,115	**491,958**

Note 30 – Cash flow information

	Note	2022	2021
Adjustments for non-cash items and other reconciling items:			
Loss on sale of investment in joint venture, excluding transaction costs	*8*	**-**	54
(Increase) decrease in rent-free period	*7*	**(172)**	7
Net change in fair value of investment properties	*7*	**58,393**	(29,419)
Change in classification of finance costs in relation to mortgage loan	*20*	**-**	112
Net change in fair value of financial derivatives	*9*	**(2,847)**	(2,215)
Distributions recognized on exchangeable securities	*14*	**645**	1,238
Net change in fair value of exchangeable securities	*14*	**(5,479)**	735
Finance income	*20*	**(6,705)**	(3,702)
Finance costs	*20*	**5,766**	7,492
Share of net loss (income) from investments in joint venture	*8*	**3,000**	(676)
Impairment of loans to joint ventures	*8*	**585**	2,738
Foreign exchange (gain) loss		**(250)**	1,129
		52,936	**(22,507)**
Working capital adjustments			
Decrease (increase) in trade and other receivables		**1,577**	(1,717)
Increase (decrease) in tenant deposits		**1,093**	(1,024)
Increase in trade and other payables		**5,500**	2,457
		8,170	**(284)**

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

Liabilities	As at December 31, 2021	Cash flows - issuance	Cash flows - repayment	Foreign exchange movement	Fair value changes	As at December 31, 2022
Exchangeable securities	9,015	-	-	-	(5,479)	**3,536**
Mortgage loans	92,708	51,316	(13,013)	3,270	-	**134,281**
Lease liabilities	114,051	-	(6,137)	631	-	**108,545**

Liabilities	As at December 31, 2020	Cash flows - issuance	Cash flows - repayment	Conversion of exchangeable securities into units	Reclassification of financing and deferral costs	Foreign exchange movement	Fair value changes	As at December 31, 2021
Promissory notes	-	-		-	-	-	-	**-**
Exchangeable securities	9,945	-	-	(1,665)	-	-	735	**9,015**
Mortgage loans	157,489	-	(53,751)	-	112	(11,141)	-	**92,708**
Lease liabilities	130,287	-	(6,593)	-	-	(9,643)	-	**114,051**
Lease equalization loans	371	-	(354)	-	-	(17)	-	**-**

Note 31 – Subsequent events

Extension of Management Agreement

Subsequent to the year-end, on March 27, 2023, the Board of Trustees approved a three-year extension of the Management Agreement with Inovalis SA. The following modifications were approved in the amended and management agreement:

- Extended for three years from March 31, 2023 to March 31, 2026
- Disposition fees are payable to Inovalis SA irrespective of whether proceeds of sale or disposition are paid to or distributed as a special distribution to Unitholders of the REIT.

Rights Plan

Subsequent to the year-end, on March 29, 2023, the Board of Trustees adopted a Unitholders' rights plan (the "Rights Plan"), subject to Unitholders ratification. The Board considered a number of factors and believes that adopting the Rights Plan will protect the REIT's Unitholders from unfair, abusive or coercive take-over strategies and to ensure that all Unitholders have an equal opportunity to participate in any future take-over bid, and to receive full and fair value for their units ("Units").

The Rights Plan was not adopted by the REIT in response to any specific proposal to acquire control of the REIT and the Board of Trustees is not aware of any such proposal. Although the Rights Plan takes effect immediately, Unitholders will be asked to ratify the Rights Plan at the May 9, 2023 Annual General Meeting of Unitholders.

The Rights Plan is similar to other security holder rights plans adopted by other Canadian real estate investment trusts, income trusts and corporations.

Until the occurrence of certain specified events, the rights will trade with the Units of the REIT and certificates representing the rights will not be sent to Unitholders. The rights become exercisable only when a person (including a related party and joint actor of such person) acquires or announces its certificates reporting the rights will not be sent to Unitholders. The rights become exercisable only when a person (including a related party and joint action of such person) acquires or announces its intention to acquire twenty (20%) or more of the outstanding Units without complying with the "permitted bid" provisions of the Rights Plan. As soon as practicable thereafter, separate certificates evidencing the rights will be mailed to Unitholders. Should a non-permitted acquisition occur, each right would entitle the holder of Units (other than the acquiring person and related persons and joint actors of such acquiring person) to purchase additional Units at a fifty (50%) percent discount to the market price at the time.

The Rights Plan permits a "permitted bid", which is a take-over bid made to all Unitholders on identical terms and conditions that is open for acceptance for a period of at least 105 days. If at the end of the 105 day period at least 50% of the outstanding Units (other than those owned by the offeror and related parties and joint actors of the offeror) have been tendered under the bid, the offeror may take up and pay for the tendered Units but must extend the bid for a further 10 days to allow all Unitholders to tender to the bid.

Upon ratification by Unitholders and completion of certain other requirements, the rights referred to in the Plan will be listed on the TSX. The rights will not appear on the TSX's trading list as an entry separate from the REIT's Units. If and when the rights become separable from the Units, an application to list the securities issuable upon exercise of such rights will have to be made to the TSX. If the Plan is not ratified by Unitholders, it will be rescinded or otherwise cancelled and be of no further effect immediately after such Unitholders' meeting. If ratified by the Unitholders, the Plan shall be reconfirmed by the Unitholders at every annual meeting.

To the best of the knowledge of the REIT, no existing Unitholder currently owns greater than 20% of the outstanding Units of the REIT.

A summary of the principal terms and conditions of the Rights Plan will be set out in the REIT's Management Information Circular. A copy of the complete Unitholder Rights Plan will be filed on SEDAR. A copy of the Rights Plan and the Management Information Circular will be available under the REIT's profile on SEDAR at www.sedar.com.

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

On August 15, 2022, the REIT announced the suspension of its Distribution Reinvestment and Unit Purchase Plan (the "DRIP") effective as of its September Distribution. The DRIP will remain suspended until further notice and commencing with the September 2022 Distribution, distributions of the REIT will be paid only in cash. The DRIP allowed eligible holders of units to reinvest their cash dividends paid in respect of their units in additional units, which, at the REIT's election, were issued from treasury or purchased on the open market. If the REIT elected to issue units from treasury, such units were purchased under the DRIP at a three percent discount to the volume weighted average of the closing price for the units on the Toronto Stock Exchange (the "TSX") for the five trading days immediately preceding the relevant dividend payment date. The REIT could, from time to time, in its sole discretion, change or eliminate the discount applicable to units issued from treasury.

INOVALIS REIT

151 Yonge Street, 11th floor

Toronto, Ontario, M5C 2W7

www.inovalisreit.com