INOVALIS REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023, and 2022

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.

The 2023 consolidated financial statements were audited by *Ernst & Young Audit*, the independent auditor, in accordance with Canadian generally accepted auditing standards. *Ernst & Young LLP* audited the 2022 the consolidated financial statements. The independent auditor has full and unrestricted access to the Audit Committee, with or without management present.

Stephane Amine

Chief Executive Officer

Toronto, Canada, March 28, 2024

Inovalis Real Estate Investment Trust

Independent Auditor's Report

ERNST & YOUNG Audit

ERNST & YOUNG Audit
Tour First
TSA 14444
92037 Paris-La Défense cedex

Tél. : +33 (0) 1 46 93 60 00
www.ey.com/fr

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 sheet as at December 31, 2023, and the consolidated statement of earnings, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing 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.

EY

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group's investment property portfolio is comprised of properties held to earn rental income. As at December 31, 2023, fair value of those properties amounts to $413 million and the Group's share of the fair value of those properties held through investments in joint ventures amounts to $124 million. Note 3 of the consolidated financial statements describes the accounting policy for investment properties. The Group appointed independent real estate valuation expert to determine the fair value of the investment property portfolio. The valuation methodology for these investment properties is based on is the direct capitalization method as set out in Note 7 of the consolidated financial statements, which also discloses the sensitivity of the fair value of investment properties to a change in capitalization and discount rates. 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, 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.	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 real estate valuation experts appointed by management, by analyzing the qualifications and expertise of the individuals involved in the preparation of the valuations. - We assessed the suitability of the valuation methodology used. - For a sample of investment properties, we assessed 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 used and whether these were appropriately included in the overall assessment of fair value. - We assessed the REIT's accounting policy applied for investment properties and related disclosures in the consolidated financial statements to assess appropriateness and conformity with IFRS.

Assessment and related disclosures of liquidity risk	
As disclosed in the assessment of liquidity risk in note 25 to the consolidated financial statements, the Group management has considered that as of December 31, 2023, current liabilities exceeded current assets by $ 47 million. The shortfall is notably due to the Trio Mortgage Loan due to maturity on March 15, 2024, for $ 43 million. In response, Inovalis Real Estate Investment Trust is in current discussion with the senior lender to extend the maturity of the Trio Mortgage loan, being specified that the lender could ultimately take the control and ownership of the Trio property and demand financial compensation as explained in note 32. Moreover, as disclosed in note 4 to the consolidated financial statements, the Group has prepared a twelve-month cash flow forecast which has been determined based on projected income and expenses of the business and working capital needs. The management considers that there is a reasonable expectation that Inovalis Real Estate Investment Trust has adequate resources to continue in operational existence for the foreseeable future, and not less than twelve months from the end of the reporting period. This forecast involves judgements and estimations based on management's input of key variables and market conditions including the future economic conditions and ongoing discussions with third parties, notably financing institutions. Due to critical judgements by management in developing the cash flow estimate, we considered the assessment and related disclosures of risk of liquidity as a key audit matter.	Our procedures to appreciate management's assessment of liquidity risks included: - Obtaining an understanding of the process over the liquidity assessment and preparation of the Cash Flow Forecast based on assumptions and inputs considered by management; - Testing the reasonableness of the main inputs and assumptions used in the Cash Flow Forecast against historical performance, cash balances subsequent to reporting date, and publicly available information; - Challenging the key assumptions used in the Cash Flow Forecast including those pertaining to rental income and the timing of significant payments in the Cash Flow Forecast; - Reperforming the main calculations used in the Cash Flow Forecast and testing sensitivity of the main inputs used; - Assessing the impact of the shortfall of Trio mortgage loan on the financial liabilities and on the key assumptions used in the cash flow forecast; - Estimating potential consequences by reading documentation related to Trio mortgage loan, including lawyer's and management's analysis, and by talking to management; - Evaluating the adequacy of the disclosures included in the notes 4, 25 & 32 of the consolidated financial statements related to these matters.

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 & 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.

Other matter

The financial statements of Inovalis Real Estate Investment Trust for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on March 29, 2023.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 Jean Philippe Bertin.

Ernst & Young Audit

1-2, place des Saisons - 92400 Courbevoie - Paris-La Défense 1, France

28 March, 2024

[1]CPA auditor, public accountancy permit no. A16964

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

Assets	*Note*	**2023**	**2022**
Non-current assets			
Investment properties	*7*	**412 967**	437 422
Investments in joint ventures	*8*	**41 632**	55 693
Other financial assets		**333**	330
Derivative financial instruments	*9*	**-**	807
Restricted cash	*12*	**4 973**	4 436
Total non-current assets		**459 905**	**498 688**
Current assets			
Trade receivables and other financial assets	*10*	**7 134**	8 227
Derivative financial instruments	*9*	**527**	3 002
Other current assets	*11*	**3 809**	3 132
Restricted cash	*12*	**196**	2 882
Cash		**12 489**	45 176
Total current assets		**24 155**	**62 419**
Total assets		**484 060**	**561 107**

Liabilities and equity	*Note*	**2023**	**2022**
Liabilities			
Non-current liabilities			
Interest-bearing loan		**186**	245
Mortgage loans	*13*	**65 710**	96 254
Lease liabilities	*13*	**96 179**	102 121
Tenant deposits		**2 224**	2 068
Derivative financial instruments	*9*	**110**	299
Deferred tax liabilities	*22*	**1 295**	1 839
Total non-current liabilities		**165 704**	**202 826**
Current liabilities			
Interest-bearing loan		**28**	22
Mortgage loans	*13*	**50 524**	38 027
Lease liabilities	*13*	**6 819**	6 424
Tenant deposits		**168**	303
Derivative financial instruments	*9*	**377**	-
Exchangeable securities	*14*	**1 595**	3 536
Trade and other payables	*15*	**7 356**	18 440
Provisions	*16*	**765**	520
Income tax payable	*22*	**2 175**	2 039
Deferred income		**1 184**	793
Total current liabilities		**70 991**	**70 104**
Total liabilities		**236 695**	**272 930**
Equity			
Trust units	*17*	**288 156**	289 940
Deficit		**(53 230)**	(12 327)
Accumulated other comprehensive income	*24*	**11 492**	9 366
Total unitholders' equity		**246 418**	**286 979**
Non-controlling interest	*18*	**947**	1 198
Total equity		**247 365**	**288 177**
Total liabilities and equity		**484 060**	**561 107**

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	2023	2022
Rental revenue	*19*	**24 656**	25 377
Property operating cost recoveries	*19*	**6 211**	5 525
Property operating costs	*20*	**(10 054)**	(9 415)
Other revenues	*19*	**2 699**	241
Other property operating expenses		**(296)**	(95)
Net rental income		**23 216**	**21 633**
General and administrative expenses	*20*	**(6 405)**	(6 974)
Eviction and disposal costs	*20*	**-**	(362)
Foreign exchange gain		**21**	250
Loss on disposal of investment properties	*7*	**-**	(946)
Share of net loss from joint ventures	*8*	**(13 984)**	(3 585)
Operating earnings		**2 848**	**10 016**
Net change in fair value of Investment properties	*7*	**(28 117)**	(58 393)
Net change in fair value of Financial derivatives	*9*	**(3 604)**	2 847
Net change in fair value of Exchangeable securities	*14*	**1 941**	5 479
Finance income	*21*	**4 049**	6 705
Finance costs	*21*	**(7 012)**	(5 766)
Distributions on Exchangeable securities	*14*	**(387)**	(645)
Loss before income taxes		**(30 282)**	**(39 757)**
Current income tax expense	*22*	**(229)**	(191)
Deferred income tax recovery	*22*	**557**	2 971
Total income tax recovery		**328**	**2 780**
Net loss		**(29 954)**	**(36 977)**
Net loss attributable to:			
Non-controlling interest	*18*	**(263)**	(123)
Unitholders of the Trust		**(29 691)**	(36 854)
		(29 954)	**(36 977)**

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	2023	2022
Net loss for the year		**(29 954)**	(36 977)
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
Change in cumulative translation adjustment account	24	**2 120**	(707)
Other comprehensive income		**2 120**	**317**
Total comprehensive loss		**(27 834)**	**(36 660)**
Total comprehensive loss attributable to:			
Non-controlling interest		**(269)**	(117)
Unitholders of the Trust		**(27 565)**	(36 543)
Total comprehensive loss		**(27 834)**	**(36 660)**

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, 2021		32 587 809	288 752	46 979	9 055	344 786	1 299	346 085
Distributions earned by or declared to Unitholders	*23*	-	-	(22 452)	-	(22 452)	-	(22 452)
Distributions under the Trust's reinvestment plan	*17*	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**
Repurchase of Trust Units	*17*	**(206 100)**	**(1 821)**	**1 151**	**-**	**(670)**	**-**	**(670)**
Distributions earned by or declared to Unitholders	*23*	**-**	**-**	**(12 363)**	**-**	**(12 363)**	**-**	**(12 363)**
Issuance of units for payment of Trustee Fees	*17*	**22 112**	**37**	**-**	**-**	**37**	**-**	**37**
Foreign exchange impact on Non-controlling interest		**-**	**-**	**-**	**-**	**-**	**18**	**18**
		(183 988)	**(1 784)**	**(11 212)**	**-**	**(12 996)**	**18**	**(12 978)**
Net loss for the year		**-**	**-**	**(29 691)**	**-**	**(29 691)**	**(263)**	**(29 954)**
Other comprehensive income (loss)		**-**	**-**	**-**	**2 126**	**2 126**	**(6)**	**2 120**
Comprehensive (loss) income		**-**	**-**	**(29 691)**	**2 126**	**(27 565)**	**(269)**	**(27 834)**
As at December 31, 2023		**32 594 711**	**288 156**	**(53 230)**	**11 492**	**246 418**	**947**	**247 365**

See accompanying notes to consolidated financial statements

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

	Note	2023	2022
Operating activities			
Loss before income taxes		**(30 282)**	(39 757)
Interest received		**2 803**	6 614
Interest paid		**(7 012)**	(5 766)
Income tax paid	*22*	**(48)**	(112)
Distributions in respect of exchangeable securities paid in cash	*14*	**(386)**	(658)
Adjustments for non-cash items and other reconciling items	*31*	**47 537**	52 936
		12 611	**13 257**
Working capital adjustments	*31*	**(8 640)**	**8 170**
Net cash flows related to operating activities		**3 971**	**21 427**
Investing activities			
Additions to investment properties and capitalized letting fees	*7*	**(561)**	(1 955)
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*	**(730)**	(171)
Loan repayments received from joint ventures	*8*	**1 241**	5 302
Net change in restricted cash	*12*	**2 196**	(2 889)
Net increase in non-current other financial assets		**-**	(312)
Net cash flows related to investing activities		**2 146**	**(60 471)**
Financing activities			
Distributions to unitholders	*23*	**(13 496)**	(22 371)
Repayment of mortgage loans	*13*	**(19 110)**	(13 013)
Issuance of mortgage loans	*13*	**-**	51 316
Repayment of lease liabilities	*13*	**(6 424)**	(6 137)
Repayment of interest bearing loan		**(53)**	(91)
Net cash flows related to financing activities		**(39 083)**	**9 704**
Net decrease in cash		**(32 966)**	**(29 340)**
Effects of foreign exchange adjustments on cash		**279**	**(2 111)**
Cash at the beginning of the year		**45 176**	**76 627**
Cash at the end of the year		**12 489**	**45 176**

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, 2023, were authorized for issuance by the Board of Trustees on March 28, 2024.

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 27 – Transactions with related parties, for information regarding the services provided by Inovalis SA to the REIT.

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

Note 2 – Basis of presentation and statement of compliance

Statement of compliance

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

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. Management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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) (Note 7);
- Exchangeable securities (Note 14);
- Derivative financial instruments (Note 9).

Note 3 – Significant accounting policies

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

Comparative figures for the year ended December 31 2022 have been reclassified as follows to conform to the presentation adopted for the year ended December 31 2023 :

- Provision on Veronese property, dating back to 2017, is reclassified from “Other payable” to “Provision” for an amount of $520 as at December 31, 2022. Further details in Note 15.

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 January 1, 2023:

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, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments to IAS 8 provide an updated definition to changes in accounting estimates to assist in assessing 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 amendment is effective for the annual reporting period beginning on or after January 1, 2023. The REIT has applied the amended guidance in accounting for any changes in accounting estimates and errors subsequent to the effective date. This amendment had no impact on the Consolidated Financial Statements of the REIT, as no material changes in accounting estimates were determined to have occurred in the 12 months ended December 31, 2023.

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

In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements 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. The REIT has applied the amended guidance in determining material accounting policies to disclose subsequent to the effective date. This amendment had no impact on the Consolidated Financial Statements of the REIT, as all material accounting policies were determined to have been disclosed in the annual audited 2023 consolidated financial statements.

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. These amendments had no impact on the consolidated financial statements of the REIT. The REIT will apply the updated guidance for any future transactions it enters into.

Note 3 – Significant accounting policies (Cont'd)

Amendments to IAS 12, Income Taxes – International Tax Reform – Pillar Two Model Rules

In May 2021, the IASB introduced amendments in response to the OECD's BEPS Pillar Two Rules. The amendments included a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules, and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023 but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the consolidated financial statements of the REIT as the REIT is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

IFRS 17 – Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 and its amendments, applicable as at January 1, 2023, had no impact on the Consolidated Financial Statements of the REIT as no insurance contracts have been entered into by the REIT.

Basis of consolidation

The consolidated financial statements include the financial statements of the Trust and all its subsidiaries as of 31 December 2023. 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 level.

Note 3 – Significant accounting policies (Cont'd)

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 - 2023	Proportion of Ownership Interest and Voting Power Held - 2022
Cancorp Europe SA ("CCEU")	Holding Company for European assets		Luxembourg	**89,18%**	**89,18%**
Walpur Four SA ("Walpur")	Investment property holding	Bad Homburg Property	Luxembourg	**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 Veronese [1]	Investment property holding	Courbevoie Property (Sold in 2022)	France	**N/A**	**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	Luxembourg	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Trio 2	Investment property holding	Trio Properties	Luxembourg	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Trio 3	Investment property holding	Trio Properties	Luxembourg	**94.90% held by CCEU**	**94.90% held by CCEU**
Cancorp Cologne 2 SARL	Investment and holding Company		Luxembourg	**100% held by CCEU**	**100% held by CCEU**
SCI Gaia Nanterre ("Gaia")	Investment property holding	Gaia Property	France	**99.99% held by INOPCI 1**	**99.99% held by INOPCI 1**
Cancorp Vegacinco SLU ("Vegacinco")	Investment property holding	Delgado Property	Spain	**100% held by CCEU**	**100% held by CCEU**

[1] *On April 23, 2023, SCI Véronèse was dissolved and any remaining assets and liabilities within the entity were absorbed by its 100% shareholder, INOPCI 1.*

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 and goodwill

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.

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.

Note 3 – Significant accounting policies (Cont'd)

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)".

(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.

Note 3 – Significant accounting policies (Cont'd)

Investment properties (Cont'd)

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.

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.

Note 3 – Significant accounting policies (Cont’d)

Joint arrangements (Cont’d)

As at December 31, 2023, 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 - 2023	Porportion of Ownership Interest and Voting Power Held - 2022
Cancorp Duisburg SARL ("Duisburg")	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 ("Isenburg")	Investment property holding	Neu Isenburg Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**
TFI Cancorp Kosching SARL ("Kosching")	Investment property holding	Kösching Property	Luxembourg	**50% held by CCEU**	**50% held by CCEU**

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.

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.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management.

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 (Con'td)

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)

Going concern analysis

The REIT has prepared a cash flow forecast which involves judgements and estimations based on management's input of key variables and market conditions, including the future economic conditions and ongoing discussions with third parties, notably financing institutions. The twelve-month cash flow forecast has been determined based on projected income and expenses of the business and working capital needs. Further details on going concern analysis and liquidity risk are disclosed in Note 25.

The REIT has prepared the financial statements on the basis that it will continue to operate as a going concern. Management considers that there are no material uncertainties that may cast significant doubt over this going concern assumption. They have formed a judgement that there is a reasonable expectation that the REIT has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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. Further details are disclosed in Note 8.

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. Further details on taxes are disclosed in Note 22.

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. Further details on taxes are disclosed in Note 22.

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 22.

Note 5 – Future changes to 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 IFRS 16, *Leases* – Leases on sale and leaseback:

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group’s financial statements.

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

Amendments to IAS 1, *Presentation of Financial Statements* – Classification of Liabilities as Current and Non-current:

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 1, *Presentation of Financial Statements* – Non-current Liabilities with Covenants

In October 2022, the IASB issued amendments related to the Non-current Liabilities with Covenants. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders concerns about the classification of such a liability as current or non-current.

The amendments are effective for annual reporting period beginning on or after January 1, 2024, permissible for early application. Management is currently assessing the impact of the amendments

Amendments to IAS 7 and IFRS 7, *Statement of Cash Flows and Financial Instruments: Disclosures* – Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates*

In August 2023 the IASB made the amendments to IAS 21 to address the concern regarding the determination of the exchange rate in the absence of long-term exchangeability.

The amendments include certain disclosure requirements, including assessing whether a currency is exchangeable into another currency and guidance on determining the exchange rates when the exchange is not possible. Other potential disclosures could include the spot exchange rate, estimation process, risk to the company and the financial impact of the currency not being exchangeable.

The amendments are effective for annual periods beginning on or after 1 January 2025. Management is currently assessing the impact of the amendments.

Note 6 – Acquisition of investment properties

2023

No new acquisitions during 2023.

2022

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, 2023 and 2022 are as follow:

	2023	2022
Balance, beginning of year	**437 422**	**427 631**
Capex	**633**	1 842
Acquisition of Delgado investment	-	43 154
Acquisition of Gaia investment prc	-	56 678
Disposition of Veronese investment property held by Veronese SCI	-	(39 386)
Change in capitalized letting fees	**(72)**	113
Rent free periods	**(443)**	172
Net change in fair value of investment properties	**(28 117)**	(58 393)
Foreign currency translation adjustment	**3 544**	5 611
Balance, end of year	**412 967**	**437 422**

All of the REIT's investment properties with a fair value of $412,967 (2022 - $437,422) are pledged as security for an amount of $219,233 (2022 - $242,886) in mortgage loans and lease liabilities.

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 27 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.

Note 7 – Investment properties (Cont'd)

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 25 for further details.

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

Valuation Processes and Techniques

The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. The techniques used by the REIT are the Direct Capitalization Method ("DC") and the Discounted Cash Flow Method ("DCF") which was used to value the REIT's property in Spain as at December 31, 2022.

Under 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, German properties and Spanish property. For the purpose of preparing the annual consolidated financial statements, all properties have been valued by external evaluators as of December 31, 2023.

Note 7 – Investment properties (Cont'd)

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, 2023
	France	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes				
Market value (in KEUR) as estimated by external appraisers	**205 800**	**50 700**	**28 350**	**284 850**
Option costs	**(2 460)**	**-**	**-**	**(2 460)**
Adjusted market value in EUR	**203 340**	**50 700**	**28 350**	**282 390**
Exchange adjustment	**94 024**	**23 444**	**13 109**	**130 577**
Adjusted market value in CAD$	**297 364**	**74 144**	**41 459**	**412 967**
Principal method used to value property [1]	**DC**	**DC**	**DC**	
Capitalization rate / discount rate	**4.75% to 7.50%**	**6.15% to 7.00%**	**6.25%**	
Terminal capitalization rate	**6,10%**	**6,38%**	**6,25%**	
Impact on the fair value of investment properties of :				
an increase of 25 bps on the cap rate and/or discount rate	**(12 090)**	**(2 802)**	**(1 595)**	**(16 487)**
a decrease of 25 bps on the cap rate and/or discount rate	**13 203**	**3 032**	**1 727**	**17 963**

				As at December 31, 2022
	France	Germany	Spain	Total
Fair value of investment properties for financial reporting purposes				
Market value (in KEUR) as estimated by external appraisers	215 394	58 098	30 403	303 895
Option costs	(2 337)	-	-	(2 337)
Adjusted market value in EUR	**213 057**	**58 098**	**30 403**	**301 558**
Exchange adjustment	95 990	26 176	13 698	135 864
Adjusted market value in CAD$	**309 047**	**84 274**	**44 101**	**437 422**
Principal method used to value property [1]	DC	DC	DCF	
Number of years used in cash flow projection			10	
Capitalization rate / discount rate	4.35% to 7.10%	5.20% to 6.25%	-	
Terminal capitalization rate	5,57%	5,50%	-	
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)
a decrease of 25 bps on the cap rate and/or discount rate	15 045	4 045	1 521	20 611

(1) "DC" for Direct Capitalization Method and "DCF" for the Discounted Cash Flow Method

Right-of-use asset

The REIT leases various investment properties with a carrying amount of $186,953 (2022 – $193,152) under leases which begin to expire in approximately 4 years (2022: 5 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:

	Duisburg	Stuttgart	Delizy [3]	Isenburg	Kosching	Total
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 investment in 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**
Additional investment for the year	**-**	**-**	**730**	**-**	**-**	**730**
Share of net loss from investments [1]	**(2 476)**	**(3 512)**	**(595)**	**(2 922)**	**(1 255)**	**(10 761)**
Impairment of investment in joint ventures [2]	**-**	**-**	**(3 223)**	**-**	**-**	**(3 223)**
Repayment on loans to joint ventures	**-**	**(219)**	**-**	**(876)**	**(146)**	**(1 241)**
Exchange differences	**133**	**120**	**22**	**86**	**73**	**434**
Balance - December 31, 2023	**14 514**	**11 706**	**-**	**7 684**	**7 728**	**41 632**

(2) 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 $2,721 (2022 – $2,746) are included in "Finance income from joint venture loans" (see Note 21).

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

(4) The REIT has only recognized a portion of its share of net loss from Delizy joint venture to bring its investment to nil. The REIT has not recognized a liability for any additional losses as it has no legal or constructive obligation to provide any additional funding to the Delizy joint venture as at December 31, 2023.

The balance of investments in joint ventures as at December 31, 2023 includes loans to joint ventures for an amount of $24,896 which is detailed as follows:

Loans to joint ventures	Duisburg	Stuttgart	Delizy [1]	Isenburg	Kosching	Total
Gross Balance - December 31, 2023	10 900	9 425	11 023	174	(79)	31 443
Less: Cumulative ECL	-	-	(6 546)	-	-	(6 546)
Net Balance - December 31, 2023	**10 900**	**9 425**	**4 477**	**174**	**(79)**	**24 897**
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**

(1) Net balance for the REIT's loan to Delizy as at December 31, 2023 has been entirely offset by losses from the REIT's investment in joint venture upon inclusion of the loan as part of the REIT's overall investment in the Delizy JV under IAS 28.

2023

Delizy

In September 2023, the REIT entered into an extension of its initial agreement to defer monthly interest payments on its loan to Delizy. The agreement includes the deferral of monthly interest payments for the months of November 2020 to December 2023 which are now due in Q1 2024. No additional interest will be charged on any interest payments deferred. There was no impact on the REIT's income from joint ventures because of the above deferral.

The REIT increased its loan to Delizy during the year-ended December 31, 2023 by €500 ($730).

Stuttgart

On October 10, 2023, the REIT signed an extension relating to the mortgage loan on the property within the Stuttgart entity. The new amendment extends the mortgage loan for one year, with a new maturity date of August 31, 2024.

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 21).

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

Kosching

During Q1 of 2023, due to scheduled quarterly repayments by Kosching, the principal on the joint venture loan with the REIT was fully repaid. However, scheduled principal repayments on the joint venture loan continued. As such, there is a balance outstanding, from Koshing to the REIT for €53 ($79) as at December 31, 2023.

The loan payable of $79 remain classified as a long-term interest under IAS28 as the amount is immaterial as of December 31, 2023

Repayments on loans to joint ventures

During the year ended December 31, 2023, loan repayments of €150 ($219), €600 ($876) and €100 ($146) occurred respectively for Stuttgart, Isenburg and Kosching.

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 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 deferral.

Isenburg

In September 2022, the REIT entered into an agreement to defer monthly interest payments receivable on its loan to 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 was charged on any interest payments deferred. Subsequent to the year-end, interest payments recommenced. There was no impact on the REIT's income from joint ventures as a result of the above deferral.

Duisburg

On May 13, 2022, Duisburg 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. Duisburg 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.

Impairment on loans to joint ventures

Delizy

In December of 2023, 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, 2023. 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.

Stuttgart

During 2023, a significant decline in the fair value of the Stuttgart property occurred due to increases in capitalization rates within the European market. An additional decline in the fair value of the Stuttgart property of 2% or greater would result in the REIT's loan to Stuttgart no longer being recoverable in its entirety. If such a decline occurs, REIT will recognize expected credit losses based on the expected shortfall, calculated based on the fair value of the property, anticipated disposal costs and other assets and liabilities within the Stuttgart joint venture.

A stress test with a 5% decrease in fair market value of the Stuttgart property would lead to an impairment of the Stuttgart joint venture loan of $787.

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

Summarized financial information for joint ventures

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

Summarised balance sheet	Duisburg		Stuttgart		Delizy		Isenburg		Kosching		Total	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Current assets												
Cash and cash equivalents	156	1 804	1 301	2 790	539	220	1 895	4 015	1 710	645	5 601	9 474
Other current assets	1 482	564	2 762	2 758	1 836	1 586	1 498	716	514	404	8 092	6 028
Total current assets	**1 638**	**2 368**	**4 063**	**5 548**	**2 375**	**1 806**	**3 393**	**4 731**	**2 224**	**1 049**	**13 693**	**15 502**
Non-current assets	**81 931**	**85 356**	**59 709**	**67 166**	**31 776**	**36 192**	**44 513**	**51 783**	**33 939**	**38 293**	**251 868**	**278 790**
Current liabilities												
Financial liabilities	23 246	653	55 112	211	6 818	4 776	33 868	417	19 359	267	138 403	6 324
Other current liabilities	186	375	2 655	3 482	1 460	1 093	1 372	1 521	850	827	6 523	7 298
Total current liabilities	**23 432**	**1 028**	**57 767**	**3 693**	**8 278**	**5 869**	**35 240**	**1 938**	**20 209**	**1 094**	**144 926**	**13 622**
Non-current liabilities												
Financial liabilities	48 078	69 282	-	54 912	40 492	39 752	-	35 154	-	19 273	88 570	218 373
Other non-current liabilities	4 832	5 324	3 968	5 108	-	-	2 263	3 294	2 008	2 647	13 071	16 373
Total non-current liabilities	**52 910**	**74 606**	**3 968**	**60 020**	**40 492**	**39 752**	**2 263**	**38 448**	**2 008**	**21 920**	**101 641**	**234 746**
Equity	**7 227**	**12 090**	**2 037**	**9 001**	**(14 619)**	**(7 623)**	**10 403**	**16 128**	**13 946**	**16 328**	**18 994**	**45 924**
REIT's share in %	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%		
REIT's share in CAD	3 614	6 045	1 019	4 501	(7 342)	(3 812)	5 202	8 064	6 973	8 164	9 466	22 962
Goodwill [1]	-	-	1 262	1 251	-	-	1 539	1 526	-	-	2 801	2 777
Acquisition costs	-	-	-	-	-	-	769	762	834	826	1 603	1 588
Loans to Joint Ventures	10 900	10 812	9 425	9 565	11 023	10 201	174	1 044	(79)	67	31 443	31 689
Unrecognized share of operational losses [2]	-	-	-	-	2 865	-	-	-	-	-	2 865	-
Impairment charge net of foreign exchange impact	-	-	-	-	(6 546)	(3 323)	-	-	-	-	(6 546)	(3 323)
Carrying amount	**14 514**	**16 857**	**11 706**	**15 317**	**-**	**3 066**	**7 684**	**11 396**	**7 728**	**9 057**	**41 632**	**55 693**

(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.

(2) The REIT has only recognized the portion of its share of net loss from the Delizy joint venture required to bring its investment to nil.

Summarised statement of comprehensive income	Duisburg		Stuttgart		Delizy [1]		Isenburg		Kosching		Total	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Net rental earnings	4 518	4 507	4 053	3 897	1 168	974	2 956	3 399	2 661	2 368	15 356	15 145
Administration expenses	(607)	(611)	(786)	(638)	(569)	(544)	(668)	(628)	(469)	(437)	(3 099)	(2 858)
Net change in fair value of investment properties	(6 580)	(7 023)	(8 722)	2 494	(4 606)	(1 090)	(8 442)	(1 671)	(4 817)	(2 329)	(33 167)	(9 619)
Loss on financial instruments at FVTPL	-	-	-	-	(18)	8	-	-	-	-	(18)	8
Finance income	-	-	-	-	-	-	-	-	9	-	9	-
Finance costs	(3 439)	(3 850)	(2 622)	(1 673)	(2 895)	(2 107)	(797)	(840)	(367)	(395)	(10 120)	(8 865)
Current income tax (expense) recovery	(2)	(2)	(8)	(7)	-	-	(2)	(110)	(186)	(193)	(198)	(312)
Deferred income tax recovery (expense)	1 157	957	1 062	(801)	-	-	1 109	83	660	262	3 988	501
(Loss) profit for the year	**(4 953)**	**(6 022)**	**(7 023)**	**3 272**	**(6 920)**	**(2 759)**	**(5 844)**	**233**	**(2 509)**	**(724)**	**(27 249)**	**(6 000)**
Unrecognized share of operational losses	-	-	-	-	2 865	-	-	-	-	-	2 865	-
Share of net (loss) earnings from investments	**(2 477)**	**(3 011)**	**(3 512)**	**1 636**	**(595)**	**(1 380)**	**(2 922)**	**117**	**(1 255)**	**(362)**	**(10 761)**	**(3 000)**

(1) Only a portion of the REIT's share of net loss from the Delizy joint venture has been recognized any additional losses beyond those required to bring its net investment in Delizy to nil, as it has no legal or constructive obligation to provide any additional funding to the Delizy joint venture as at December 31, 2023.

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

Summarized financial information for joint ventures (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, 2023			As at December 31, 2022		
	France	Germany	Total	France	Germany	Total
Fair value of investment properties owned in joint ventures for financial reporting purposes						
Market value (in KEUR) as estimated by external appraisers	**22 199**	**147 352**	**169 551**	25 849	165 100	190 949
Option costs	**(470)**	**-**	**(470)**	(449)	-	(449)
Adjusted market value in EUR	**21 729**	**147 352**	**169 081**	**25 400**	**165 100**	**190 500**
Exchange adjustment	**10 047**	**68 136**	**78 183**	11 443	74 378	85 821
Adjusted market value in CAD$ - 100%	**31 776**	**215 488**	**247 264**	**36 843**	**239 478**	**276 321**
Adjusted market value in CAD$ - REIT's portion	**15 888**	**107 744**	**123 632**	**18 422**	**119 739**	**138 161**
Principal method used to value property [1]	**DC**	**DC**		DC	DC	
Capitalization rate	**6.75%**	**5.80% to 6.20%**		6,35%	5.30% to 5.50%	
Terminal capitalization rate	**6,75%**	**6,01%**		6,35%	5,39%	
Impact on the fair value of investment properties of :						
an increase of 25 bps on the cap rate and/or discount rates	**(602)**	**(4 781)**	**(5 383)**	(962)	(7 324)	(8 286)
a decrease of 25 bps on the cap rate and/or discount rates	**651**	**5 247**	**5 898**	1 041	8 037	9 078

(1) *"DC" for Direct Capitalization Method*

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, 2023			
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	6	10/04/2024	10/09/2024	910	1 400	1,5390	8 400	404	404	-
Baldi interest rate CAP	1	31/12/2022	31/12/2024	Variable	Capped	1,000%	5 504	124	124	-
Metropolitain interest rate SWAP [1]	1	01/01/2023	21/03/2024	Variable	Fixed	0,230%	54 205	-	-	-
								527	**527**	**-**
Other derivatives - liabilities										
Foreign exchange	6	08/10/2024	10/03/2025	1 005	1 400	1,39	8 400	(487)	(377)	(110)
								(487)	**(377)**	**(110)**

(1) *Maturity date of Metropolitain interest rate SWAP contract was March 2024, however interests are due in advance (paid in December 2023) and thus fair market value is nil as at December 31, 2023.*

		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	10/01/2023	10/09/2024	916	1 400	1,5284	29 400	1 200	687	513
Veronese Interest rate SWAP	1	01/01/2023	21/03/2024	Variable	Fixed	0,230%	9 257	313	313	-
Baldi interest rate CAP	1	31/12/2024	31/12/2024	Variable	Capped	1,000%	17 109	557	263	294
Metropolitain interest rate SWAP	1	01/01/2023	31/12/2023	Variable	Fixed	0,230%	55 185	1 739	1 739	-
								3 809	**3 002**	**807**
Other derivatives - liabilities										
Foreign exchange	3	08/10/2024	10/12/2024	1 037	1 400	1,3494	4 200	(299)	-	(299)
								(299)	**-**	**(299)**

Note 9 – Derivative financial instruments (Cont'd)

The $3,604 net change in fair value of financial derivatives for the year ended December 31, 2023 was mainly attributable to the sale of forward exchange contracts and the upcoming maturity of the Metropolitain swap in March 2024.

2023

During the year-ended December 31, 2023, the REIT negotiated cancellations of seven of its monthly foreign exchange forward contracts with Banque Palatine, relating to distributions for the months of September 2023 to March 2024. Each of the monthly contract cancellations represented a notional amount of CAD $1,400. The cancellations resulted in a realized gain to the REIT of €206 ($301) which has been recognized in other finance income (see Note 21).

The interest rate swap contracts for Véronèse property with a nominal amount of $9,257 as at December 31, 2022, was disposed in 2023 before the maturity date resulted in a realized gain of €201 ($293) which has been recognized in other finance income (see Note 21).

As at December 31,2023, the amount of $3,604 of fair value loss on derivative instruments is composed of $3485 of fair value change on derivative contracts, $114 of fair value change regarding tenant deposit and $5 of translation currency.

2022

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 21).

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.

Note 10 – Trade receivables and other financial assets

	Note	As at December 31, 2023	As at December 31, 2022
Trade receivables		**3 449**	3 063
Provision for impairment of trade receivables		**(858)**	(669)
Trade receivables		**2 591**	**2 394**
Other receivables		**662**	3 233
Other receivables - Inovalis SA	*27*	**366**	331
Interest receivable - Joint ventures - current		**3 515**	2 269
Other current financial assets		**4 543**	**5 833**
Total trade receivables and other financial assets		**7 134**	**8 227**

Note 11- Other current assets

	As at December 31, 2023	As at December 31, 2022
VAT and other sales tax receivables	**3 686**	2 996
Prepaid expenses	**123**	136
Other current assets	**3 809**	**3 132**

Note 12 – Cash, cash equivalents and restricted cash

Cash and cash equivalents

	As at December 31, 2023	As at December 31, 2022
Cash on hand	10 489	45 176
Short term deposit	2 000	-
Cash	**12 489**	**45 176**

Restricted cash

		As at December 31, 2023		As at December 31, 2022	
		(in 000's of €)	(in 000's of $)	(in 000's of €)	(in 000's of $)
Capex reserve	Trio property	2 238	3 273	2 394	3 473
Bank loan reserve	Sablière property	1 113	1 628	614	891
Others		49	72	50	72
Non current		**3 401**	**4 973**	**3 058**	**4 436**
Guarantee deposit	Véronèse Property	-	-	1 000	1 451
Covenant deposit	Walpur property	-	-	900	1 305
Capex reserve	Trio property	36	53	86	126
Others		98	143	0	0
Current		**134**	**196**	**1 986**	**2 882**
Restricted cash		**3 534**	**5 169**	**5 045**	**7 318**

A guaranteed deposit for the bank loan agreement for the Veronese property of €1,000 ($1,451) was released by the lender in January 2023. A covenant deposit for the bank loan related to the Walpur property of €900 ($1,305) was released by the lender in July 2023. A bank loan reserve of €1,113 ($1,628) related to the Sablière property is included as restricted cash as at December 31,2023 corresponding to remediation actions required to be held by the lender.

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

Mortgage loans, and leases liabilities consist of the following:

			As at December 31, 2023		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	23/06/2026	13 758	12 334	1 424
Mortgage loan - Cancorp Trio	1.56%	15/03/2024	43 394	-	43 394
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	4 994	-	4 994
Mortgage loan - Gaia Nanterre SCI	1.91%	27/03/2027	31 382	31 382	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	22 706	21 994	712
Mortgage loans			**116 234**	**65 710**	**50 524**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	49 242	44 783	4 459
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	53 756	51 396	2 360
Lease liabilities			**102 998**	**96 179**	**6 819**
Total mortgage loans and lease liabilities			**219 232**	**161 889**	**57 343**

			As at December 31, 2022		
Entity	**Interest rate**	**Maturity**	**Total**	**Non-current**	**Current**
Mortgage loan - Sabliere SCI	Euribor 3M + 1.59%	23/06/2026	14 951	-	14 951
Mortgage loan - Cancorp Trio	1.56%	15/03/2024	43 380	42 928	452
Mortgage loan - Baldi SCI	Euribor 3M + 1.75%	26/10/2027	5 817	-	5 817
Mortgage loan - Walpur Four	1.43%	31/03/2023	16 101	-	16 101
Mortgage loan - Gaia Nanterre SCI	1.91%	27/03/2027	30 898	30 898	-
Mortgage loan - Cancorp Vegacinco	1.99%	31/03/2027	23 134	22 428	706
Mortgage loans			**134 281**	**96 254**	**38 027**
Lease liabilities - Arcueil SCI	Euribor 3M + 2.20%	08/07/2027	53 291	48 841	4 450
Lease liabilities - Metropolitain SCI	Euribor 3M + 1.84%	18/03/2031	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**

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

	As at December 31, 2023		As at December 31, 2022	
	Carrying value	**Minimum payments**	**Carrying value**	**Minimum payments**
Within 1 year	**50 524**	**52 184**	38 027	40 488
After 1 year, but not more than 5 years	**65 710**	**69 187**	96 254	99 271
More than 5 years	-	-	-	-
	116 234	**121 371**	**134 281**	**139 759**
Less : future interest costs	-	**(5 137)**	-	(5 478)
Total mortgage loans	**116 234**	**116 234**	**134 281**	**134 281**

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

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

	As at December 31, 2023		As at December 31, 2022	
	Carrying value	**Minimum lease payments**	**Carrying value**	**Minimum lease payments**
Within 1 year	**6 819**	**12 440**	6 424	8 305
After 1 year, but not more than 5 years	**54 591**	**68 732**	58 363	64 833
More than 5 years	**41 588**	**46 731**	43 758	46 673
	102 998	**127 903**	**108 545**	**119 811**
Less : future interest costs	-	**(24 905)**	-	(11 266)
Total lease liabilities	**102 998**	**102 998**	**108 545**	**108 545**

2023

Baldi SCI – Loan covenant breaches

As at December 31, 2023, the REIT is in breach of the debt service coverage ratio ("DSCR") covenant on the mortgage loan within Baldi SCI. 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. As there is currently no waiver in place as at December 31, 2023, the total carrying amount of the loan remains classified as a current liability due to the lender's right to repayment.

Sabliere SCI – Loan covenant remediation

As at December 31, 2023, the REIT is no longer in breach of the DSCR covenant requirement of 120% on the mortgage within Sabliere SCI. The breach was remedied due to the REIT advancing funds to a cash reserve account with the lender. The total carrying amount of the loan will be split between current liabilities and long-term liabilities based on scheduled repayments.

Walpur Four – Loan repayment

The REIT repaid the loan and accrued interest on the Bad Homburg property in the amount of €11,236 ($16,239) on June 30, 2023.

Trio properties – Loan maturity

The Trio mortgage loan, in the amount of €29,673 ($43,394) is maturing on March 2024. As at the date of issuance of the FS, (also see Note 32), the REIT is in discussions with the senior lender regarding options to refinance the Trio property.

Interest-bearing loan

The interest-bearing loan of €127 ($186) at December 31, 2023 (€184 ($267) at December 31, 2022), is repayable to Inovalis Luxembourg which is a subsidiary of Inovalis SA. This loan has a 4.5-year term and bears a market practice interest at a fixed rate of 6.5%.

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

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 was 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% was 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 was included as a current liability, due to the lender's right to repayment upon breach of the covenant.

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, 2022. The covenant requirement of 120% was in breach as a result of planned developments and related refinancing of such developments within the entity. The total carrying amount of the loan was included as a current liability due to the lender's right to repayment upon breach of the covenant.

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 Veronese entity. The fee paid was €20 ($27) and was included in "Other finance costs" (see Note 21). 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 extended the mortgage loan for one year to March 31, 2023.

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) were 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) were deducted against the loan principal and will be amortized over the life of the loan using the effective interest method.

Note 14 – Exchangeable Securities

Exchangeable securities issued and outstanding	Exchangeable securities: Number of Exchangeable securities	Exchangeable securities: Carrying amount of Exchangeable securities
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**
Net change in fair value of exchangeable securities	-	**(1 941)**
Balance - December 31, 2023	**938 036**	**1 595**

Distributions 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	2023	2022
Amount payable at the beginning of the year		**236**	249
Declared and recognized in earnings during the year		**387**	645
Distribution on exchangeable securities paid in cash		**(386)**	(658)
Amount payable at the end of the year	*15*	**237**	**236**

Note 15 – Trade and other payables

	Note	As at December 31, 2023	As at December 31, 2022
Trade payables		**4 452**	7 032
Trade payables		**4 452**	**7 032**
Other payables		**215**	718
Distributions payable	*23*	**-**	1 133
Distributions payable - Inovalis SA	*27*	**259**	236
VAT payable		**2 430**	9 321
Other payables		**2 904**	**11 408**
Total trade and other payables		**7 356**	**18 440**

Note 16 – Provisions

As at December 31, 2023, the provisions includes €358 ($525) on Veronese property, dating back to 2017, is reclassified from “Other payables” to “Provisions” for an amount of $520 as at December 31, 2022; and €165 ($241) related to Lenine property.

Note 17 – 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, 2023 and 2022, 938,036 Special Voting Units were issued and outstanding.

Normal course issuer bid

On May 12, 2023, the Toronto Stock Exchange (the "TSX") approved the REIT's intention to make a normal course issuer bid ("NCIB") to acquire up to a maximum of 3,047,058 units, or approximately 10% of its public float as of May 12, 2023, over the next 12 months for cancellation. In connection with the NCIB, the REIT entered into an automatic purchase plan for a broker to repurchase units under the plan.

The number of units that can be purchased pursuant to the NCIB is subject to a current daily maximum of 23,274 units (which is equal to 25% of 93,099, being the average daily trading volume during the last six months), subject to the REIT's ability to make one block purchase of units per calendar week that exceeds such limits. The REIT may begin to purchase units on May 25, 2023, and the NCIB will terminate on May 24, 2024, or such earlier time as the REIT completes its purchases pursuant to the NCIB or provides a notice of termination.

During the year ended December 31, 2023, the REIT acquired 206,100 units for $690 (of which broker fees of $6 are included) at a weighted average price of $3.32 per unit. All units repurchased during the year ended December 31, 2023, have been cancelled by the REIT. The share repurchases and cancellations during the year ended December 31, 2023, resulted in a reduction of Trust Units of $684 and an increase in retained earnings of $1,151 representing the difference between the book value of the units and the price at which the units were repurchased.

Rights Plan

On March 29, 2023, the Board of Trustees adopted a Unitholders' rights plan (the "Rights Plan"), subject to Unitholders ratification. The Rights Plan protects 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 took effect immediately and was ratified at the May 9, 2023, Annual General Meeting of 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. 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.

Note 17 – Trust units (Cont'd)

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

Transactions relating to trust units

2023

During the year ended December 31, 2023, the REIT issued 22,112 units as a result of the payments of Trustee Fees for $37 at a weighted average price of $1.67.

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 23 – Distributions for further details.

Note 18 – Non-controlling interests

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, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Current assets												
Cash and cash equivalents	1 569	227	2	29	2	32	710	549	806	361	3 089	1 198
Other current assets	611	672	768	688	549	528	1 999	2 059	789	349	4 716	4 296
Total current assets	**2 180**	**899**	**770**	**717**	**551**	**560**	**2 709**	**2 608**	**1 595**	**710**	**7 805**	**5 494**
Non-current assets	**21 554**	**24 234**	**14 099**	**15 193**	**17 484**	**19 501**	**96 700**	**96 976**	**101 622**	**117 196**	**251 459**	**273 100**
Current liabilities												
Financial liabilities	16 777	176	11 731	122	14 889	155	2 360	1 975	4 459	4 450	50 216	6 878
Other current liabilities	211	14	971	844	906	752	1 725	1 473	446	280	4 259	3 363
Total current liabilities	**16 988**	**190**	**12 702**	**966**	**15 795**	**907**	**4 085**	**3 448**	**4 905**	**4 730**	**54 475**	**10 241**
Non-current liabilities												
Financial liabilities	28	16 646	77	11 718	81	14 809	52 261	54 054	44 783	48 841	97 230	146 068
Total non-current liabilities	**28**	**16 646**	**77**	**11 718**	**81**	**14 809**	**52 261**	**54 054**	**44 783**	**48 841**	**97 230**	**146 068**
Equity	**6 718**	**8 297**	**2 090**	**3 226**	**2 159**	**4 345**	**43 063**	**42 082**	**53 529**	**64 335**	**107 559**	**122 285**
Equity attribuable to non-controlling interest	**306**	**385**	**79**	**138**	**75**	**188**	**433**	**423**	**54**	**64**	**947**	**1 198**

Summarised statement of comprehensive income	Cancorp Trio 1		Cancorp Trio 2		Cancorp Trio 3		SCI Metropolitain		SCI Lenine Arcueil		Total	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Net rental earnings	1 745	1 485	1 283	1 010	1 017	827	4 412	4 060	6 426	9 750	14 883	17 132
Administration expenses	(106)	(118)	(91)	(95)	(129)	(94)	(207)	(199)	(307)	(270)	(840)	(776)
Net change in fair value of investment properties	(2 764)	(1 859)	(2 009)	(1 393)	(2 722)	(1 869)	672	4 477	(8 566)	(43 655)	(15 389)	(44 299)
Net change in fair value of financial derivative	-	-	-	-	-	-	(1 801)	2 602	-	-	(1 801)	2 602
Finance income	-	-	-	-	-	-	(201)	-	-	-	(201)	-
Finance costs	(375)	(366)	(342)	(355)	(381)	(405)	(2 862)	(3 227)	(4 485)	(681)	(8 445)	(5 034)
Current income tax expense	(144)	(6)	(2)	(2)	(2)	(2)	-	-	-	-	(148)	(10)
(Loss) profit for the year	**(1 644)**	**(864)**	**(1 161)**	**(835)**	**(2 217)**	**(1 543)**	**13**	**7 713**	**(6 932)**	**(34 856)**	**(11 941)**	**(30 385)**
(Loss) profit allocated to non-controlling interest	**(84)**	**(44)**	**(59)**	**(42)**	**(113)**	**(79)**	**-**	**77**	**(7)**	**(35)**	**(263)**	**(123)**

Note 19 – Revenue

Revenue from investment properties consists of the following :

	2023	2022
Regular rents	**24 901**	25 412
Amortization of (lease incentives) rent free periods	**(245)**	(35)
Rental income	**24 656**	25 377
Property operating cost recoveries	**6 211**	5 525
Total revenue	**30 867**	**30 902**

Other revenues include an amount of €1,590 ($2,140) related to an indemnity received by the REIT in conjunction with a tenant returning its leased premises without completing certain restoration works as required under the lease agreement.

In 2023 and 2022, one tenant accounted for more than 10% of rental income: Lorenz Bahlsen (2023 – 11%) and Orange (2022 – 36%).

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

	2023	2022
Within 1 year	**16 623**	21 567
After 1 year, but not more than 5 years	**31 308**	34 040
More than 5 years	**3 888**	6 090
Future minimum lease receivable under non-cancellable operating leases	**51 818**	**61 697**

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

	2023	2022
Taxes	**2 393**	2 289
Insurance	**161**	149
Property management fees	**851**	895
Utilities and other cost recoveries	**2 806**	2 192
Property operating cost recoveries	**6 211**	**5 525**

Note 20 – Expenses

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

	2023	2022
Property tax expense	**(3 765)**	(3 188)
Insurance	**(238)**	(214)
Property management fees	**(985)**	(998)
Utilities	**(5 066)**	(5 015)
Total property operating costs	**(10 054)**	**(9 415)**

Note 20 – Expenses (Cont'd)

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

	2023	2022
Asset management fees	**(2 206)**	(2 306)
Less : amount invoiced to joint ventures	**1 160**	1 089
	(1 046)	(1 217)
Professional fees for accounting, tax and audit	**(2 786)**	(2 449)
Legal expenses	**(559)**	(727)
Trustee fees	**(300)**	(189)
Travel expenses	**(501)**	(512)
Governance expenses	**(363)**	(349)
Bank and depositary fees	**(335)**	(338)
Listing, transfer agent and publication fees	**(119)**	(174)
Other general and administrative expenses	**(396)**	(1 019)
Total general and admnsitrative expenses	**(6 405)**	**(6 974)**

Eviction and disposal costs

2022 eviction and disposal costs consist of expenses incurred by the REIT to evict tenants from the Veronese property in conjunction with its sale.

Note 21 – Finance costs and finance income

	2023	2022
Interest costs related to mortgage loans	**(3 228)**	(2 475)
Interest costs related to lease liabilities	**(5 253)**	(2 321)
Interest SWAP and CAP income (expense)	**1 742**	(432)
Other finance costs	**(30)**	(245)
Amortization of transaction costs on mortgage loans	**(243)**	(293)
Finance costs	**(7 012)**	**(5 766)**
Finance income from joint venture loans	**2 721**	2 746
Other finance income	**1 328**	3 959
Finance income	**4 049**	**6 705**

Other finance income includes $357 of profit on the currency hedging contracts, $301 related to the sale of seven monthly foreign exchange contracts with Banque Palatine, $293 to the break of Veronese swap contract in January 2023 and $266 to the Baldi cap contract restructuration.

Note 22 – 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	2023	2022
Income taxes computed at the Canadian statutory rate of Nil applicable to the Trust as at December 31, 2023 and 2022	-	-
Deferred income tax recovery applicable to corporate subsidiaries	**1 128**	4 357
Deferred tax recovery related to prior year adjustments	-	215
Deferred tax expense related to unrecognized tax benefit	**(571)**	(1 601)
Current tax expense on distribution of profit from sale of properties	-	(112)
Current tax expense on proposed reassessments	**(6)**	(44)
Current income tax expense	**(217)**	(35)
Other	**(6)**	-
Income tax recovery (expense)	**328**	**2 780**

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

Deferred tax liability	31/12/2022	Net Income	Recognized in OCI	31/12/2023
Related to non-capital losses	(216)	216	-	-
Related to difference in tax and book basis related to real estate, net	2 055	(773)	13	1 295
	1 839	**(557)**	**13**	**1 295**

Deferred tax liability	31/12/2021	Net Income	Recognized in OCI	31/12/2022
Related to non-capital losses	(514)	285	13	(216)
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

As of December 31, 2023, the REIT has unused tax losses of €9,229 ($13,486) (December 31, 2022 - €8,252 ($11,970)) 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.

As at December 31, 2023, the REIT has deductible temporary differences of €8,640 ($12,635) (December 31, 2022 - €4,482 ($6,501) 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 $2,175 (December 31, 2022 - $2,039) represents management's best estimate for the amount payable following a tax reassessment which is currently being disputed with the French tax authorities.

Note 23 – Distributions

	Note	2023	2022
Amount payable at the beginning of the year		**1 133**	2 240
Declared and recognised during the year		**12 363**	22 452
Distributions paid in units		-	(1 188)
Paid in cash		**(13 496)**	**(22 371)**
Amount payable at the end of the year	*15*	**-**	**1 133**

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 November 13, 2023, the REIT announced the suspension of monthly distributions to unitholders until further notice. This suspension is effective beginning with the REIT's December 2023 distribution, which was to be paid to Unitholders in January 2024. The retained cash flow available as a result of the reduction in monthly distribution will be used by the REIT to fund redevelopment projects.

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

Note 24 – Accumulated other comprehensive income

	As at December 31, 2023	As at December 31, 2022
Net unrealized gain on derivatives designated as a hedge of the net investment in foreign entities	**2 820**	2 820
Cumulative translation adjustment account	**8 672**	6 546
Accumulated other comprehensive income	**11 492**	**9 366**

Change in cumulative translation adjustment account is $2,120 attributable to the Unitholders' of the Trust of which $(6) is attributable to minority interest.

Note 25 – 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.

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, 2023, after taking into consideration the effect of interest rate floor and interest rate cap, 71% of the REIT's long-term debt obligations has no exposure to interest rate risk (2022 – 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, 2023	
Interest rate sentivity	**Net debt exposure**	**Impact on net income**	**Impact on comprehensive income**
	124 997		
Reasonably possible increase in interest rates		50 basis points	50 basis points
Annualized impact of an increase on net income and equity		(625)	(625)

		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)

Note 25 – Risk arising from financial instruments (Cont'd)

Currency risk

Financial assets and liabilities denominated in foreign currencies		As at December 31, 2023 – Exposure to Euro – Impacting Net Income	Impacting OCI	Total
Monetary assets denominated in other than functional currency		2 749	55 145	57 894
Monetary liabilities denominated in other than functional currency		-	(231 319)	(231 319)
Net exposure in respect of monetary items denominated in other than functional currency		2 749	(176 174)	(173 425)
Net exposure in respect of foreign currency exchange contracts (notional net buy amount in CAD$)		-	(16 800)	(16 800)
Net exposure		2 749	(192 974)	(190 225)
Impact on	% change	Net income	OCI	Total
Gain or loss in the event of an increase in the value of the Euro/CAD$	10%	275	(19 297)	(19 022)
Gain or loss in the event of an decrease in the value of the Euro/CAD$	-10%	(275)	19 297	19 022

Financial assets and liabilities denominated in foreign currencies		As at December 31, 2022 – Exposure to Euro – 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

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 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.

The REIT has a program in place with Banque Palatine that secures the exchange rates relating to potential distributions from April 2024 to October 2024 (as per 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 has 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 potential distributions from October 2024 to March 2025 (as per Note 9). The REIT has not designated these contracts as hedges of its net investment in its foreign operations.

During the year-ended December 31, 2023, the REIT negotiated cancellations of seven of its monthly foreign exchange forward contracts with Banque Palatine, as a result of its suspension of distribution (see Note 23). Each of the monthly contract cancellations represented a notional amount of CAD $1,400. The cancellations resulted in a realized gain to the REIT of €206 ($301) which has been recognized in other finance income (see Note 21).

During the year-ended December 31, 2022 as a result of the REIT's decrease in monthly distributions to unitholders, the REIT negotiated a partial cancellation of each monthly contract within its program with Banque Palatine.

Under its previous program, the REIT had entered into foreign currency forward contracts with Credit Agricole. 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.

Note 25 – 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, 2023.

Loans 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. 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.

In arriving at the above conclusion, management has considered that as at December 31, 2023, current liabilities exceeded current assets by $46,857 (December 31, 2022 - $7,685). The shortfall is due to the following:

A. Trio Mortgage Loan - Classified as current due to maturity on March 15, 2024 - $CAD 43,394
B. Baldi Mortgage Loan - Classified as current due to breach over loan covenant since Q2 2022 - $CAD 4,994

Note 25 – Risk arising from financial instruments (Cont'd)

Liquidity risk (Cont'd)

Management has concluded that the REIT's has the ability to sustain its operations within the next 12-months, despite the following:

Trio Mortgage Loan – The REIT is in current discussion with the senior lender – HCOB - to extend the maturity of the loan that matured on March 15, 2024, in order to give management more time to either refinance the mortgage loan of the Trio property ($53.7m FMV and 90% occupancy rate) or organize its sale. However, as at release date of the financial statements, no agreement has yet been reached. The liquidity risk associated with this default is confined to default interest payments during the default period. If recourse is made to the guarantees provided by the REIT, the risk would entail the loss of Trio's contribution to the REIT's equity, without compromising its liquidity. (see Note 32 Subsequent Events).

A. **Baldi Mortgage Loan -** The REIT has kept the senior lender – SOCFIM - regularly informed about the Baldi redevelopment opportunity and related arbitrage plans (considering the 32% occupancy rate). Since the late 2021 massive deleverage ($11.5m), the bank exposure is down to a 18% loan-to-value (supported by Q4 2023 external valuation report of $26.7m), and management estimates that, based on its regular exchanges with SOCFIM since then, SOCFIM would not seek loan acceleration as all other terms of the loan are met.

Management also notes that the REIT is already executing its asset recycling plan and joint venture wind up to unlock additional liquidity as required, including the potential disposal of its Sabliere (unsolicited offers received subsequent to year-end) and Arcueil properties and the sale of its interest in the Duisburg and Stuttgart joint ventures, which was initiated subsequent to year-end. The close of any of these transactions would generate significant positive working capital, that the REIT could allocate to the above-mentioned mortgage loan repayment in case of unsuccessful extension or refinancing options.

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.

As at December 31, 2023	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Mortgage loans	48 388	3 796	69 187	-	**121 371**
Leases principal and interest	3 110	9 330	68 732	46 731	**127 903**
Interest-bearing loan	-	28	-	186	**214**
Exchangeable securities (value of securities plus interest on notes)	-	-	1 595	-	**1 595**
Tenant deposits	-	168	962	1 262	**2 392**
Derivative financial instruments	-	-	110	-	**110**
Trade and other payables	4 378	569	-	-	**4 947**
Total	**55 876**	**16 831**	**140 586**	**48 179**	**261 472**

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	2 992	-	-	**9 119**
Total	**22 727**	**35 897**	**166 992**	**51 481**	**277 097**

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

Note 25 – Risk arising from financial instruments (Cont'd)

closing market price on the redemption date. The total amount payable by the REIT in any calendar month shall not exceed $50 unless waived by the REIT's trustees at their sole discretion.

Classification of financial instruments

The following tables summarize the classification of the REIT's consolidated financial instruments as at December 31, 2023 and 2022:

	Measured at Fair Value		Measured at amortized cost		As at December 31, 2023
	Derivatives at FVTPL	**Designated at FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to joint ventures			24 896		**24 896**
Derivative financial instruments	527				**527**
Trade receivables and other financial assets			7 134		**7 134**
Restricted cash			5 169		**5 169**
Cash			12 489		**12 489**
Total financial assets	**527**	**-**	**49 688**	**-**	**50 215**
Financial liabilities					
Mortgage loans				116 234	**116 234**
Tenant deposits				2 392	**2 392**
Exchangeable securities		1 595			**1 595**
Derivative financial instruments	487				**487**
Trade and other payables				5 712	**5 712**
Total financial liabilities	**487**	**1 595**	**-**	**124 338**	**126 420**

	Measured at Fair Value		Measured at amortized cost		As at December 31, 2022
	Derivatives at FVTPL	**Designated as FVTPL**	**Financial assets**	**Financial liabilities**	**Total**
Financial assets					
Loans to joint ventures			28 366		**28 366**
Derivative financial instruments	3 809				**3 809**
Trade 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**

Note 25 – 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, 2023	Fair value hierarchy level	Carrying amount	Fair value
Financial assets			
Loans to joint ventures	3	24 896	24 896
Financial liabilities			
Mortgage loans	2	116 234	113 897
Tenant deposits	2	2 392	2 392

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

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, 2023 and 2022.

- 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, 2023, market rates for debts of similar terms (Level 2). Based on these assumptions, the fair value as at December 31, 2023 of the mortgage loans has been estimated at $113,897 (December 31, 2022 – $133,425) compared with the carrying value before deferred financing costs of $116,234 (December 31, 2022 – $134,281). The fair value of the mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.

Note 25 – 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, 2023	Level 2	Level 3	Total
Investment properties	-	412 967	**412 967**
Derivative financial instruments - assets	527	-	**527**
Derivative financial instruments - liabilities	(487)	-	**(487)**
Exchangeable securities	(1 595)	-	**(1 595)**

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)**

There were no transfers between any level during the years ended December 31, 2023, and 2022.

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 26 – 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 recognized 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, 2023	**As at December 31, 2022**
Outstanding at beginning of year	**39 398**	20 250
Granted DU	**-**	18 285
Elected DU	**29 913**	4 465
Exercised	**(22 112)**	(4 726)
ADUs earned	**6 140**	1 124
Forfeited	**5 256**	-
Outstanding at end of year	**58 595**	**39 398**

As of December 31, 2023, 58,595 DSUs are outstanding and 141,405 DSUs are available for grant under the DSU Plan.

There were 22,112 DSUs exercised during the year ended December 31, 2023 which resulted in a decrease in the DSU plan liability by $35 (December 31, 2022 – $308).

For the year ended December 31, 2023, the REIT recorded a recovery of $4 and a decrease to the liability for the same amount. The total liability related to the DSU plan as of December 31, 2023 was $49 and was included in Trade and other payables.

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, decreased by $62 was included in Trade and other payables.

Note 27 – Transactions with related parties

Inovalis SA – Asset manager

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

Unless otherwise stated, none of these transactions incorporated special terms and conditions. Outstanding balances are usually settled in cash, 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	2023	2022
Revenues				
Rental income	Rental income		7	4
			7	**4**
Expenses				
Asset management fees	Administration expenses	*A*	**(1 046)**	(1 217)
Facilities management fees	Service charge expenses		**(298)**	(293)
Property management fees	Service charge expenses	*B*	**(974)**	(998)
Letting fees invoiced	Service charge expenses		**(69)**	(79)
less portion accounted for over the lease term	Service charge expenses		**64**	70
Expenses related to the distribution for exchangeable securities	Distributions on exchangeable securities		**(387)**	(645)
Reimbursment of travel expenses	Administration expenses		**(501)**	(512)
Trustee fees	Administration expenses		**(300)**	(189)
Broker and disposition fees	Loss on disposal of investment properties		**-**	(2 012)
			(3 510)	**(5 875)**

(A) *Asset management fees of $2,206 and $2,306 as at December 31, 2023, and December 31, 2022, respectively, correspond to the asset management fees earned for the entire portfolio, including $1,160 and $1,089 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 27 – Transactions with related parties (Cont'd)

Inovalis and its subsidiaries	Note	As at December 31, 2023	As at December 31, 2022
Assets			
Trade and other receivables	*10*	**366**	331
		366	**331**
Liabilities			
Interest-bearing loan		**214**	267
Distributions payable	*14*	**237**	236
Exchangeable securities	*14*	**1 595**	3 536
		2 046	**4 039**

On March 27, 2023, the Board of Trustees approved a two-year extension of the Management Agreement with Inovalis SA that became effective on April 1, 2023.

The following key terms of the management agreement were:

- **Term:** The extension is for two (2) years ending on March 31, 2026. 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 27 – 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.

Inovalis SA – Asset manager

On March 27, 2023, the Board of Trustees a 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

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 Conseil SAS, 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 Conseil SAS, a subsidiary of Inovalis SA. See Note 6 for further details.

Note 27 – Transactions with related parties (Cont'd)

Joint ventures

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

	Financial statement line item	2023	2022
Management fees invoiced to joint ventures	Administration expenses	**(1 160)**	(1 089)
Facilities management fees	Service charge expenses	**(64)**	-
Property management fees	Service charge expenses	**(263)**	(259)
Letting fees invoiced	Service charge expenses	**(163)**	(196)
less portion accounted for over the lease term	Service charge expenses	**116**	194
Finance income	Finance income	**2 721**	2 746
		1 187	**1 396**

Management fees invoiced to joint ventures include:

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

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

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

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

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

		Due from joint ventures	
	Financial statement line item	As at December 31, 2023	As at December 31, 2022
Assets			
Loan receivable	Investments accounted for using the equity method	**24 897**	28 366
Interest receivables	Other financial assets - current	**3 515**	2 269
		28 412	**30 635**
Liabilities			
Balance of sale payable	Trade and other payables	**161**	740
		161	**740**

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.

	2023	2022
Wages, fees and other benefits	(300)	(189)
	(300)	**(189)**

Note 28 – 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 48% of its GBV as at December 31, 2023 (2022 – 49%).

	2023	2022
Investment properties	**412 967**	437 422
Investments in joint ventures	**41 632**	55 693
Gross book value	**454 599**	**493 115**
Mortgage loans - non-current	**65 710**	96 254
Lease liabilities - non-current	**96 179**	102 121
Mortgage loans - current	**50 524**	38 027
Lease liabilities - current	**6 819**	6 424
Total indebtedness	**219 232**	**242 826**
Total indebtedness as a % of gross book value	**48,0%**	49,0%

Note 29 – 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, Gaia, Delgado and Trio 1, 2, 3 properties in the amount of €106,411 ($155,615).

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 Gaia Nanterre also need to comply with banking covenants. The REIT is in breach of the debt service coverage ratio banking covenant on the mortgage loan held within SCI Baldi at December 31, 2023 and the interest coverage ratio banking covenant on the mortgage loan held within Gaia Nanterre (See Note 12). The REIT is in compliance with all other covenants as at December 31, 2023.

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 €2,257 ($3,300).

Guarantees provided by the REIT with respect to its long-term debt on the joint venture companies include a preferential claim held by the mortgage lenders on Duisburg, Stuttgart, Isenburg and Koshing in the amount of €55,485 ($81,141) as per REIT's share portion.
The REIT also delivered a confort letter for a maximal amount of $1,302 to support its Delizy joint venture until the approval of 2024 annual accounts.

The REIT also pledged to the senior lenders the shares its investments in the Duisburg and Isenburg joint ventures.

Tenant commitments received

The companies SCI Metropolitain, SCI Sabliere, Cancorp Trio 1, Cancorp Trio 2 and Cancorp Trio 3 received bank guarantees securing the rentals of certain tenants up to €1,811 ($2,648).

The five joint venture companies (Delizy, Duisburg, Stuttgart, Isenburg and Koshing) received bank guarantees securing the rentals of certain tenants up to €824 ($1,204), for the REIT's share portion.

Note 30 – Geographical Information

Total revenue by geographic region For the years ended December 31,	Rental income 2023	2022	Property operating cost recoveries 2023	2022	As at December 31, 2023	As at December 31, 2022
France	15 664	17 954	4 491	4 211	**20 155**	22 165
Germany	6 047	5 481	1 720	1 314	**7 767**	6 795
Spain	2 945	1 942	-	-	**2 945**	1 942
	24 656	**25 377**	**6 211**	**5 525**	**30 867**	**30 902**

Investment properties and investments in joint ventures by geographic region	As at December 31, 2023	As at December 31, 2022
France	**362 440**	336 046
Germany	**50 700**	112 968
Spain	**41 459**	44 101
	454 599	**493 115**

Note 31 – Cash flow information

	Note	2023	2022
Adjustments for non-cash items and other reconciling items:			
Decrease (increase) in rent-free period	*7*	**443**	(172)
Net change in fair value of investment properties	*7*	**28 117**	58 393
Change in classification of finance costs in relation to mortgage loan	*21*	**-**	-
Net change in fair value of financial derivatives	*9*	**3 604**	(2 847)
Distributions recognized on exchangeable securities	*14*	**387**	645
Net change in fair value of exchangeable securities	*14*	**(1 941)**	(5 479)
Finance income	*21*	**(4 049)**	(6 705)
Finance costs	*21*	**7 012**	5 766
Share of net loss (income) from investments in joint venture	*8*	**10 761**	3 000
Impairment of loans to joint ventures	*8*	**3 223**	585
Foreign exchange (gain) loss		**(21)**	(250)
		47 537	**52 936**
Working capital adjustments			
Decrease (increase) in trade and other receivables		**1 643**	1 577
Increase (decrease) in tenant deposits		**(110)**	1 093
Increase in trade and other payables		**(10 195)**	5 500
		(8 662)	**8 170**

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

Liabilities	As at December 31, 2022	Cash flows - repayment	Foreign exchange movement	Fair value changes	As at December 31, 2023
Exchangeable securities	3 536	-	-	(1 941)	**1 595**
Mortgage loans	134 281	(19 110)	1 063	-	**116 234**
Lease liabilities	108 545	(6 424)	877	-	**102 998**

Liabilities	As at December 31, 2021	Cash flows - issuance	Cash flows - repayment	Foreign exchange movement	Fair value changes	As at December 31, 2022
Promissory notes	-	-		-	-	-
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**

Note 32 – Subsequent Events

- **Trio mortgage loan maturity**

  The Trio mortgage loan in the amount of €29,673 ($43,394) matured on March 15, 2024 and the REIT is in breach of its obligation to repay the loan as at the date of issuance of the consolidated financial statements. The REIT has been and remains in constant discussions with the lender regarding options to extend the loan or refinance the Trio property.

  Pending a negotiated extension of the loan, the bank has exercised its right effective March 20, 2024, pursuant to clause 10.3 of the Facility to charge a 5% default interest in addition to the Deutsche Bundesbank base interest rate of 3.62 % on the loan principal, representing a potential financial impact on an annual basis of an additional default interest charge of €1,484 ($2,165).

  The lender also has the right to seek any applicable damages from the lender Trio due to the breach. Management is unable to estimate the expected financial impact of potential damages sought by the lender, due to the significant uncertainty surrounding the ongoing negotiations and potential legal actions that could take place.

  Finally, upon partial or full enforcement of its guarantees as pledgee and subordinated debtor against the REIT (CanCorpEurope), obtained on the financing (shares and bank account pledge) the lender could, ultimately take the control and ownership of the Trio property and demand financial compensation, upon clauses 16 and 17 of the pledges. In case of full enforcement, clauses 16 and 17 would be extinguished and any claim for damages would require legal action from the pledgee. Management of the REIT estimated that this loss of control is not in the best interest of the senior lender HCOB. Based on the financial statements as at December 31, 2023, a loss of control would represent a loss in net equity (including the Trio shareholder loans) of $10,967 (€7,495).

- **Neu Isenburg mortgage loan refinancing**

  On February 15, 2024 , the REIT successfully refinanced the HCOB $33,342 (€22,800) mortgage loan of the Neu Isenburg property, held 50% in joint venture, with a new lender, DZHYP for CAD$31,295 (EUR21,400). The new loan, maturing in February 2025, will bear interest at 1.59% margin on top of the EURIBOR 3-month floating rate and will require quarterly cash reserve payments for an annual amount of $804 (€550). This refinancing allows Management to work on the reletting of the 20% vacant areas and plan for the exit strategy.

- **Kosching mortgage loan extension**

  On January 31, 2024, the REIT successfully extended the DZHYP $20,473 (€14,000) mortgage loan of the Kosching property, held 50% in joint venture.

  The new loan, maturing in January 2025, will bear interest at 1.55% margin on top of the EURIBOR 3-month floating rate and will require quarterly cash reserve payments for an annual amount of $760 (€520). This one-year extension provides time to reassess the partner's strategy for this fully let property.

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