Office
REIT

SLATE

Consolidated financial statements of

SLATE OFFICE REIT

For the years ended December 31, 2015 and 2014

SLATE OFFICE REIT
CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Slate Office REIT,

We have audited the accompanying consolidated financial statements of Slate Office REIT which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Slate Office REIT as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 3, 2016
Winnipeg, Canada

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SLATE OFFICE REIT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of Canadian dollars)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Non-current assets			
Properties	*4, 5, 6*	**$ 729,089**	$ 448,012
Finance lease receivable	*9*	**63,156**	—
Equity accounted investment	*8*	**—**	11,105
Restricted cash		**1,403**	1,596
		793,648	460,713
Current assets			
Finance lease receivable	*9*	**2,058**	—
Note receivable	*10*	**—**	6,559
Prepaid expenses and other assets		**2,236**	754
Accounts receivable	*11*	**6,136**	5,577
Cash		**8,917**	3,067
		19,347	15,957
Total assets		**$ 812,995**	$ 476,670
LIABILITIES AND EQUITY			
Non-current liabilities			
Debt	*12*	**$ 490,849**	$ 251,853
Security deposits and provisions	*13*	**2,968**	2,596
Interest rate swaps	*14*	**3,153**	2,239
Class B LP units	*15*	**37,260**	38,460
Warrants	*16*	**—**	8
		534,230	295,156
Current liabilities			
Debt	*12*	**4,755**	28,633
Security deposits	*13*	**1,267**	486
Accounts payable and other liabilities	*17*	**20,586**	12,301
		26,608	41,420
Total liabilities		**560,838**	336,576
Equity		**252,157**	140,094
Total liabilities and equity		**$ 812,995**	$ 476,670

SLATE OFFICE REIT
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of Canadian dollars)

	Note	Year ended December 31, 2015	2014
Rental revenue	*20*	**$ 87,543**	$ 33,087
Property operating expenses	*24*	**(44,944)**	(13,800)
Income from equity accounted investment	*8*	**2,547**	1,501
Finance income on finance lease receivable	*9*	**1,721**	—
Interest income		**703**	633
Interest and finance costs	*22*	**(15,339)**	(6,992)
General and administrative	*21*	**(3,488)**	(3,909)
Change in fair value of investment properties	*4*	**1,786**	(4,620)
Change in fair value of financial instruments	*23*	**3,312**	(3,119)
Depreciation of hotel asset	*4*	**(271)**	—
Acquisition and disposition costs	*6, 7, 8*	**(5,134)**	—
Net income before Class B LP units		**$ 28,436**	$ 2,781
Change in fair value of Class B LP units	*15*	**2,691**	2,444
Distributions to Class B LP unitholders	*19*	**(3,846)**	(2,364)
Net income and comprehensive income		**$ 27,281**	$ 2,861
Attributed to unitholders		**27,181**	2,861
Attributed to non-controlling interest		**100**	—
		$ 27,281	$ 2,861

The accompanying notes are an integral part of these consolidated financial statements

SLATE OFFICE REIT
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands of Canadian dollars)

	Note	Trust units	Retained earnings	Non-controlling interest	Total equity
December 31, 2014		**$ 124,532**	**$ 15,562**	**$ —**	**$ 140,094**
Issuances, net of costs	*5, 18*	**105,920**	**—**	**—**	**105,920**
Distributions	*19*	**—**	**(17,946)**	**—**	**(17,946)**
Units issued pursuant to DRIP	*18*	**965**	**—**	**—**	**965**
Repurchases of units	*18*	**(4,387)**	**200**	**—**	**(4,187)**
Non-controlling interest on acquisition	8	**—**	**—**	**5,230**	**5,230**
Net income and comprehensive income		**—**	**27,181**	**100**	**27,281**
Purchase of non-controlling interest	8	**—**	**130**	**(5,330)**	**(5,200)**
December 31, 2015		**$ 227,030**	**$ 25,127**	**$ —**	**$ 252,157**
December 31, 2013		$ 77,993	$ 21,153	$ —	$ 99,146
Issued on public offering	*18*	43,406	—	—	43,406
Distributions	*19*	—	(8,452)	—	(8,452)
Units issued pursuant to DRIP	*18*	3,133	—	—	3,133
Net income and comprehensive income		—	2,861	—	2,861
December 31, 2014		$ 124,532	$ 15,562	$ —	$ 140,094

The accompanying notes are an integral part of these consolidated financial statements

SLATE OFFICE REIT
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Note	Year ended December 31, 2015	2014
Operating activities			
Net income and comprehensive income		**$ 27,281**	$ 2,861
Straight-line rent and other changes	*4*	**(1,628)**	(311)
Interest income		**(703)**	(633)
Interest received		**703**	633
Interest and other finance costs	*22*	**15,339**	6,992
Interest paid		**(14,399)**	(6,669)
Finance income on finance lease receivable	*9*	**(1,721)**	—
Finance interest payments received	*9*	**1,721**	—
Income from equity accounted investment	*8*	**(2,547)**	(1,501)
Change in fair value of financial instruments	*23*	**(3,312)**	3,119
Change in fair value of investment properties	*4*	**(1,786)**	4,620
Change in fair value of Class B LP units		**(2,691)**	(2,444)
Distributions to Class B LP unitholders	*19*	**3,846**	2,364
Distributions paid to Class B LP unitholders	*19*	**(3,833)**	(2,233)
Depreciation of hotel asset	*4*	**271**	—
Adjustments on acquisition of Data Centre	*8*	**547**	—
Working capital items		**13,158**	5,654
		30,246	12,452
Investing activities			
Acquisition of properties	*5*	**$ (329,899)**	$ (147,246)
Acquisition of 20% of Data Centre	*8*	**(5,200)**	—
Principal payments on finance lease receivable	*9*	**820**	—
Capital expenditures	*4*	**(3,524)**	(1,470)
Direct leasing expenses	*4*	**(10,185)**	(1,197)
Proceeds from disposition of investment properties	*6*	**81,497**	—
Issuance of notes receivable		**—**	(6,500)
Investment in equity accounted investee		**—**	(9,604)
		(266,491)	(166,017)
Financing activities			
Proceeds from issuance of units	*18*	**$ 115,068**	$ 24,662
Costs of issuance of units	*18*	**(4,279)**	(1,292)
Repurchases of units	*18*	**(4,187)**	—
Proceeds from mortgage financings		**—**	144,000
Mortgage principal payments		**(68,228)**	(3,995)
Draw down (repayment) of other debt, net		**220,529**	(448)
Distributions	*19*	**(17,001)**	(8,080)
Restricted cash		**193**	—
		242,095	154,847
Increase in cash		**5,850**	1,282
Cash, beginning of period		**3,067**	1,785
Cash, end of period		**$ 8,917**	$ 3,067

The accompanying notes are an integral part of these consolidated financial statements

1. Description of the REIT and operations

Slate Office REIT (the "REIT"), formerly known as FAM Real Estate Investment Trust, is an unincorporated, open-ended real estate investment trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated December 17, 2014, as amended on May 25, 2015 (the "Declaration of Trust"). As of December 31, 2015, the REIT's portfolio consists of 34 commercial properties located in Canada. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "SOT.UN".

The principal, registered and head office of the REIT is 121 King Street West, Toronto, ON, Canada M5H 3T9.

2. Basis of preparation

i. Statement of compliance

These consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on March 3, 2016.

iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and are measured at historical cost except for the following items:

- Investment properties are measured at fair value; and
- Financial instruments classified as fair value through profit or loss are measured at fair value.

iv. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently in these consolidated financial statements.

i. Basis of consolidation

These consolidated financial statements include the accounts of the REIT and its subsidiaries in accordance with IFRS 10, *Consolidated Financial Statements*. Intercompany transactions and balances have been eliminated upon consolidation. A subsidiary is an entity over which the REIT has control. Control exists when the REIT has power over an investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed when necessary to align them with the policies applied by the REIT in these consolidated financial statements.

Changes in the REIT's ownership interests in subsidiaries that do not result in the REIT losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the REIT's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the unitholders of the REIT. When the REIT loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

ii. Joint Arrangements

A joint arrangement is a contractual arrangement in which the REIT has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The REIT classifies joint arrangements as either joint operations or joint ventures.

A joint operation is a joint arrangement wherein the parties have rights to the assets and obligations for the liabilities. The REIT's interest in a joint operation is accounted for based on the REIT's interest in those assets, liabilities, revenues, and expenses.

A joint venture is a joint arrangement wherein the parties have rights to the net assets. The REIT's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the REIT's share of net assets of the joint venture since the acquisition date. The consolidated statement of income reflects the REIT's share of the results of operations of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the REIT's consolidated statement of income and comprehensive income.

iii. Investment properties

Investment properties include land and buildings held primarily to earn rental income or for capital appreciation or for both, rather than for administrative purposes, for use in the production or supply of goods and services or for sale in the ordinary course of business. The REIT accounts for its investment properties in accordance with IAS 40, *Investment Property* ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination. Acquisitions of investment properties that do not meet the definition of a business are initially measured at cost including directly attributable expenses.

Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence at the statement of financial position date including, among other things, rental revenue from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases less future cash outflows in respect of capital expenditures. Changes in fair value are recorded in net income in the period in which they arise.

The carrying amount of investment properties includes straight-line rent receivable and direct leasing costs.

Direct leasing costs include leasing commissions, lease incentives, and legal fees directly attributable to negotiating and arranging a lease. Lease incentives that are spent on leasehold improvements are referred to as tenant improvements. All other lease incentives are referred to as tenant inducements. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized on a straight-line basis over the term of a lease as a reduction of revenue.

An investment property held under an operating lease that meets the definition of an investment property is recognized in the REIT's consolidated statements of financial position and measured at fair value.

When an investment property is disposed of, the gain or loss is determined as the difference between the disposal proceeds and the carrying amount of the property and is recognized in net income in the period of disposal as changes in fair value of investment property. Costs incurred to dispose of investment properties are recorded in disposition costs.

iv. Business combinations

The REIT accounts for investment property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. The REIT applies the acquisition method to account for business combinations. The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The REIT recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration is recognized as a liability in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") primarily in net income or, in certain circumstances, as a change to other comprehensive income ("OCI"). Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

v. Restricted cash

Restricted cash includes amounts held in reserve for capital improvements and holdbacks as required by mortgages and tenant leases.

vi. Provisions

A provision is recognized if, as a result of a past event, the REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for site remediation in respect of contaminated land, and the related expenses, is recognized when the contamination becomes known.

A provision for decommissioning including site restoration and related expenses is recognized and measured as the present value of estimated future expenditures determined in accordance with local conditions and discounted using a risk-free interest rate with a corresponding amount added to the carrying amount of the related investment property. The provision is accreted over time to reflect the unwinding of the discount. The provision is remeasured at the end of each reporting period to reflect changes in estimates and circumstances, including estimates of future cash flows and risk-free interest rates. All changes to the provision for decommissioning are included in the carrying amount of the related investment property.

vii. Leases

Leases where the REIT, as the lessor, does not transfer substantially all the risks and rewards of ownership of its investment properties are classified as operating leases. Ground leases where the REIT, as the lessee, does not assume substantially all the risks and rewards of ownership are classified as operating leases. Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases.

viii. Revenue recognition

Revenue from investment properties includes rents from tenants under lease agreements, percentage rents, property tax and operating cost recoveries and other incidental income. The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. This occurs on the lease inception date or, where the REIT is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease. Straight-line rent receivables, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received.

ix. Expenses

Property expenses and general and administrative expenses are recognized in net income in the period in which they are incurred.

x. Other comprehensive income

Comprehensive income consists of net income and OCI. OCI represents changes in an enterprise's equity during a period arising from transactions and other events with non-owner sources.

xi. Income taxes

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust that meets prescribed conditions is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided its taxable income is fully distributed to unitholders. The REIT intends to distribute all of its taxable income to unitholders and therefore has not recognized any current or deferred income taxes in these consolidated financial statements.

xii. Trust units

The REIT's trust units are redeemable at the option of the holder and, therefore, are considered puttable instruments. In accordance with IAS 32, *Financial instruments: presentation* ("IAS 32"), puttable instruments are classified as financial liabilities, except where certain conditions are met; in which case, the puttable instruments are classified as equity. The REIT has determined that it has met the conditions set out in IAS 32 that permit instruments that otherwise meet the definition of a financial liability to be classified as equity. Accordingly, the REIT's trust units are classified and accounted for as equity instruments.

Distributions on trust units are recorded in retained earnings in the period they are approved.

xiii. Class B LP units

Class B limited partnership units ("Class B LP units") of certain limited partnership subsidiaries of the REIT are exchangeable into trust units of the REIT at the option of the holder. As described above, the REIT's trust units are puttable instruments and, therefore, the Class B LP units meet the definition of a financial liability under IAS 32. The Class B LP units are designated as FVTPL. The fair value of the Class B LP units is remeasured at the end of each reporting period with changes in fair value recorded in profit or loss. Distributions paid on the Class B LP units are recorded in income when declared. Upon exchange into REIT units of the REIT, the carrying amount of the liability representing the fair value of the Class B LP units on exchange date is reclassified to unitholders' equity.

xiv. Trust unit purchase warrants

Each whole trust unit purchase warrant ("Warrant") entitles the holder to purchase one unit of the REIT upon exercise. As REIT units are puttable instruments, as described above, the Warrants meet the definition of a financial liability under IAS 32. The Warrants are derivatives and therefore classified as FVTPL. The fair value of the Warrants is remeasured at the end of each reporting period with changes in fair value recorded in profit or loss.

xv. Financial instruments

Financial instruments are classified as one of: (i) held-to-maturity, (ii) loans and receivables, (iii) FVTPL, (iv) available-for-sale, or (v) other financial liabilities. The REIT's has made the following classifications:

Financial instrument	Classification
Financial assets	
Cash	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable	Loans and receivables
Note receivable	Loans and receivables
Financial liabilities	
Accounts payable and other liabilities	Other financial liabilities
Interest rate swaps	FVTPL
Class B LP units	FVTPL
Warrants	FVTPL
Debt	Other financial liabilities

All financial assets and financial liabilities are measured at fair value on initial recognition.

Transaction costs, other than those related to financial instruments classified as FVTPL, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers, transfer taxes, and duties that are incurred in connection with the arrangement of borrowings.

Subsequent to initial recognition, financial instruments classified as held-to-maturity, loans and receivables or other financial liabilities are measured at amortized cost, using the effective interest method. Financial instruments classified as FVTPL are measured at fair value with gains and losses recognized in net income as other finance costs. Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized in OCI.

The REIT derecognizes a financial asset or liability when its contractual rights or obligations expire, or it transfers its rights or obligations in a transaction in which substantially all the risks and rewards of ownership are transferred. Any rights and obligations created or retained by the REIT in a transfer are recognized as separate assets or liabilities.

xvi. Compound financial instruments

Components of a financial instrument that contains both a financial liability and an equity component are recognized separately. The carrying amount assigned to the equity component on initial recognition is the residual amount after deducting the fair value of the financial liability from the fair value of the financial instrument as a whole.

Transaction costs relating to the issuance of compound instruments are allocated to the liability and equity components in proportion to the allocation of proceeds.

xvii. Fair values

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the REIT takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, unless otherwise noted.

Except as noted, the carrying value of the REIT financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values in other financial liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Fair value measurements recognized in the statements of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

i. Level 1: Quoted prices in active markets for identical assets or liabilities that the REIT can access at the measurement date.

ii. Level 2: Inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly.

iii. Level 3: Inputs that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

REIT units and Class B LP units are measured at fair value based on the market trading price of REIT units consistent with level 1. Interest rate swaps are valued using an interest rate swap valuation methodology and inputs consistent with level 2. All other fair value measurements for non-derivative financial instruments are measured using level 3 inputs. The fair values of derivative instruments are calculated using quoted rates. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments.

xviii. Deferred unit incentive plan

The REIT has a deferred unit incentive plan ("DUP") whereby Trustees of the REIT may elect to receive all or a portion of their Trustee fees in the form of deferred units that vest immediately upon grant. The deferred units are equivalent in value to REIT units and accumulate additional deferred units at the same rate that distributions are paid on REIT units in relation to the market value of REIT units, as defined by the DUP. Deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or REIT units. The value of deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability and measured at fair value. Changes in the fair value of deferred units is recorded as a gain or loss in net income in the period of the change.

xix. Finance costs

Finance costs comprise interest expense on borrowings, gains or losses on interest rate swaps, amortization or derecognition of mark-to-market adjustment on assumption of mortgages, amortization of transaction cost, accretion expense, and defeasance costs.

Transaction costs associated with financial liabilities measured at amortized cost such as mortgages payable and the revolving credit facility are netted against the carrying amount of the related debt instrument and amortized using the effective interest method over the term of the related debt.

xx. Presentation

The current year consolidated statement of comprehensive income presents the impact to net income of the Class B LP Units separately from finance costs and the change in fair value of financial instruments to provide for more disaggregation of such amounts. The comparative period has been conformed to the current presentation.

xxi. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the REIT may undertake in the future, actual results may differ from these estimates.

a. Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements is discussed below:

Business combinations

The REIT acquires real estate properties. At the time of acquisition, the REIT considers whether or not the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Consideration is made to the extent to which significant processes are acquired and the extent of ancillary services provided by the property, e.g. maintenance, cleaning, security, bookkeeping, etc. The significance of any process is judged with reference to the guidance in IAS 40 regarding ancillary services.

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognized.

Leases

The Trust makes judgments in determining whether certain leases, in particular those leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is the lessee, are operating or finance leases. Assets under leases that transfer to the tenant substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Assets classified as operating leases are not recognized in the statement of financial position. The Trust has determined that its lease for the Data Center is a finance lease.

Lease incentives

Lease incentives such as rent-free periods and lessee or lessor owned improvements may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease. This assessment requires the consideration of several factors, including whether the incentives enhance the value of the property, uniqueness of the improvements, and tenant discretion in use of funds.

Income taxes

The Trust has determined that it is not subject to income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current tax legislation.

Assets and liabilities held for sale

The Trust makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale.

b. Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates that have the most significant impact on the consolidated financial statements include:

Valuation of investment properties

The fair value of investment properties is determined by management, and from time to time in conjunction with independent real estate valuation experts using recognized valuation techniques. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisers, in their determination of the fair value of the investment properties:

Income approach

This approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the overall income capitalization method and/ or the discounted cash flow analysis, as described below:

Overall income capitalization method: Year one income is stabilized and capitalized at a rate appropriate for each investment property. Capitalization rates and estimates of stabilized income are the most significant assumptions in determining fair values under the overall capitalization method.

Discounted cash flow method: Fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income.

For both methods, capitalization rates are the most significant assumption in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

Direct comparison approach

This approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method or the discounted cash flow method, or in certain circumstances a combination of both methods.

The fair values of investment properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's investment properties taken in aggregate may differ from the fair value of investment properties measured individually in the REIT's consolidated statements of financial position.

xxii. Future accounting policies

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1")

The IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but are intended to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their cash flows. In addition, under IFRS 9 for financial liabilities measured at fair value, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the changes recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. This new standard is effective for annual periods beginning on or after January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

Amendments to IFRS 11, *Joint Arrangements* ("IFRS 11")

The amendments to IFRS 11 require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The REIT intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. The new standards includes a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 16, *Leases* ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, *Leases*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019, which is when the REIT intends to adopt IFRS 16 in its financial statements. The extent of the impact of adoption of the standard has not yet been determined.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

4. Properties

The change in properties for the year is as follows:

	Note	Year ended December 31, 2015	2014
Balance, beginning of period		**$ 448,012**	$ 265,367
Acquisitions	*5*	**347,267**	183,529
Capital expenditures		**3,524**	1,470
Direct leasing costs		**10,185**	1,861
Dispositions	*6*	**(82,511)**	—
Depreciation of hotel asset		**(271)**	—
Provisions		**(531)**	94
Change in fair value		**1,786**	(4,620)
Straight line rent and other changes		**1,628**	311
Balance, end of period		**$ 729,089**	$ 448,012

Included within properties at December 31, 2015 are the REIT's interests in 34 investment properties, which include one mixed-use hotel and office asset and a 30% interest in the REIT's three co-owned properties. The hotel portion of the REIT's mixed-use asset does not meet the definition of an investment property under IAS 40 and accordingly is measured at cost less depreciation, with depreciation charged to income over the estimated useful life of the components of the hotel asset.

The REIT determines the fair value of investment properties based upon either the overall income capitalization rate method, discounted cash flow method, direct comparison approach or through a combination of methods. All methods are generally accepted appraisal methodologies. If a third party appraisal is not obtained for a property, management uses one or a combination of the overall income capitalization rate method and the discounted cash flow method. In certain circumstances the direct comparison approach is used by comparing properties to similar properties that have sold, but adjusting for differences in the nature and location of the properties. Under the overall income capitalization rate method, year one income is stabilized and capitalized at a rate appropriate for each investment property. Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. Capitalization and discount rates are the most significant assumption in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other things, in determining the most appropriate assumptions.

The fair values of investment properties are measured individually without consideration to their aggregate value on a portfolio basis. No consideration is given to diversification benefits related to single property tenant risk and geography, the value of assembling a portfolio or to the utilization of a common management platform, amongst other benefits. As a result, the fair value of the REIT's investment properties taken in aggregate may differ from the fair value of investment properties measured individually in the REIT's consolidated statements of financial position. Under the fair value hierarchy, the fair value of the REIT's investment properties is determined using the methodology described above and using level 3 inputs.

The following table presents a summary of the discount, terminal capitalization and capitalization rates used to estimate the fair value of the REIT's properties:

	2015			2014		
	Discount rate	**Terminal capitalization rate**	**Capitalization rate**	Discount rate	Terminal capitalization rate	Capitalization rate
Minimum	**7.00%**	**6.25%**	**5.50%**	7.25%	6.50%	6.50%
Maximum	**11.00%**	**9.00%**	**6.75%**	9.50%	9.00%	8.75%
Weighted average	**7.83%**	**6.93%**	**5.96%**	7.93%	7.23%	7.01%

At December 31, 2015, a 25 basis-point increase in discount, terminal capitalization and capitalization rates would decrease the estimated fair value of the REIT's properties by approximately $27.3 million (2014 – $9.1 million).

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The following table summarized the number of external appraisals obtained during the past two years and the fair value represented by those appraisals:

	2015		2014	
	Number of properties	**Fair value**	Number of properties	Fair value
March 31	**—**	**$ —**	4	$ 32,020
June 30	**5**	**40,460**	4	49,450
September 30	**2**	**27,020**	4	22,450
December 31	**4**	**59,240**	5	54,830

5. Acquisitions

During the 2015 year, the REIT acquired wholly-owned interests in eleven commercial properties (the "Portfolio Properties") and a 10% undivided interest in three commercial properties (the "Co-Owned Properties") from Fortis Properties Corporation ("Fortis Properties") for $304.0 million. Subsequently, on December 31, 2015, the REIT acquired a further 20% interest in the Co-Owned Properties for $28.8 million. A Canadian institutional real estate fund acquired the remaining undivided interest in the Co-Owned Properties. Additionally, on October 1, 2015, the REIT acquired a 100% interest in 2251 Speakman Drive, an office property in Mississauga, Ontario.

The net assets acquired in respect of these acquisitions during 2015 are as follows:

	2251 Speakman Drive	**Co-Owned Properties**	**Co-Owned Properties**	**Portfolio Properties**	**Total**
REIT's interest	100%	20%	10%	100%	
Number of properties	1	3	3	11	**15**
Acquisition date	Oct.1, 2015	Dec. 31, 2015	Jun. 30, 2015	Jun. 30, 2015	
Purchase price	$ 8,981	$ 28,800	$ 14,160	$ 289,094	**$ 341,035**
Transaction costs	395	145	186	5,506	**6,232**
Investment properties	9,376	28,945	14,346	294,600	**347,267**
Working capital	48	177	395	4,503	**5,123**
Debt	—	(21,000)	—	—	**(21,000)**
Total acquisition cost	$ 9,424	$ 8,122	$ 14,741	$ 299,103	**$ 331,390**

Consideration provided for acquisitions during 2015 was comprised of the following:

	2251 Speakman Drive	**Co-owned Properties**	**Co-owned Properties**	**Portfolio Properties**	**Total**
Cash	$ 7,933	$ 8,122	$ 14,741	$ 299,103	**$ 329,899**
211,342 Class B LP units	1,491	—	—	—	**1,491**
Total	$ 9,424	$ 8,122	$ 14,741	$ 299,103	**$ 331,390**

The acquisitions on June 30, 2015 were financed through a combination of; (i) $190.0 million of drawings from the REIT's revolving operating facility; (ii) the issuance of 10,820,000 REIT units by way of a public offering and 4,723,729 REIT units to Fortis Inc., the parent of Fortis Properties, at a price of $7.40 per unit; and (iii) $10.5 million from a term loan facility secured by the co-owned properties. The acquisition of the REIT's additional 20% interest in the co-owned properties on December 31, 2015 was financed with a portion of the proceeds from the disposition of certain properties in December 2015 and the assumption of debt.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

Suburban office acquisition

On December 17, 2014, the REIT acquired a wholly-owned interest in seven office properties located in the Greater Toronto Area for $190.0 million. The net assets acquired in respect of this acquisition are as follows:

Purchase price	$	190,000
Transaction costs		3,246
Unit price premium		(8,951)
Other		(766)
Investment properties		183,529
Working capital		(4,842)
	$	178,687

Consideration for this acquisition in 2015 was comprised of the following:

Cash	$	147,246
2,794,363 REIT units (1)		25,149
2,096,686 Class B LP units (1)		18,870
Receivable from vendor		(3,627)
Unit price premium(1)		(8,951)
	$	178,687

(1) Expressed at $9.00 per unit, including the unit price premium. The unit price premium represents the difference between the negotiated price and the price of REIT units on closing of the acquisition.

6. Dispositions

During 2015, the REIT made the following dispositions of properties:

	Milton industrial	Winnipeg industrial	Retail portfolio	Industrial portfolio	Total
Disposition date	Sept. 2, 2015	June 18, 2015	Dec. 15, 2015	Dec. 21, 2015	
Number of properties	1	1	3	12	**17**
Location	Milton, ON	Winnipeg, MB	Newfoundland	Winnipeg, MB	
Sale price	$ 22,500	$ 6,700	$ 8,900	$ 47,000	**$ 85,100**
Capital adjustments	(1,406)	—	—	(1,183)	**(2,589)**
Net sale price	21,094	6,700	8,900	45,817	**82,511**
Working capital	(162)	(83)	(116)	(653)	**(1,014)**
Discharge of mortgages	(9,363)	(2,338)	—	(24,803)	**(36,504)**
Disposition costs	(850)	(228)	(439)	(2,902)	**(4,419)**
Net proceeds	$ 10,719	$ 4,051	$ 8,345	$ 17,459	**$ 40,574**

Included in disposition costs are transaction costs directly attributable to property sales and costs of related mortgages that were extinguished.

7. Co-Owned Properties

The REIT has an undivided co-owned interest in three office properties located in St. John's, Newfoundland. The REIT initially acquired a 10% interest in the Co-owned Properties on June 30, 2015 and increased its interest to 30% on December 31, 2015.

The REIT has entered into a co-ownership agreement with the co-owner in connection with the three properties. The co-ownership agreement includes a put-call arrangement that provides the co-owner the right to require the REIT to increase its ownership to; (i) 49% on or after June 1, 2016; and (ii) 100% on or after December 1, 2016. The REIT also has the right to increase its ownership in the three properties by such amounts and during such periods.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The purchase price for any additional ownership interest under the put-call arrangement is the greater of; (i) the fair market value of the co-owner's interest in the three properties; and (ii) the acquisition cost of the properties, plus the difference between a seven percent per annum yield on amounts invested to acquire the three properties and net distributions to the co-owner. The co-owner's and REIT's respective put-call rights expire on December 15, 2016.

8. Data Centre

On April 22, 2014, the REIT made an investment in a fully pre-leased data centre development in Winnipeg, Manitoba (the "Data Centre"). The REIT's initial investment on April 22, 2014 comprised; (i) a $9.5 million contribution for a 50% interest in a limited partnership ("Data Centre LP") holding an undivided interest in the Data Centre; and (ii) a $6.6 million loan to the REIT's limited partner (the "Mezzanine Loan"), which was used to fund its contribution to Data Centre LP. The Mezzanine Loan accrued interest at a rate of 13.3% and was convertible into a 30% interest in Data Centre LP. On July 31, 2015, the REIT converted the Mezzanine Loan plus accrued interest into a 30% interest in Data Centre LP, increasing its interest to 80%. On October 16, 2015, the REIT acquired the remaining 20% interest in the Data Centre LP for $5.2 million.

At inception of its investment in the Data Centre the REIT accounted for its interest in Data Centre LP as an equity accounted investment. On July 31, 2015, upon increasing its interest to 80%, the REIT determined that it had acquired control of Data Centre LP and began consolidating its interest in the Data Centre.

The following is a continuity of the REIT's equity accounted investment in Data Centre LP:

		Total
Initial investment, April 22, 2014	$	9,501
Acquisition fees		103
Share of net income		1,501
Balance, December 31, 2014		11,105
Acquisition costs		91
Share of net income		2,547
Acquisition of control, July 31, 2015		(13,743)
Balance, December 31, 2015	$	—

The net assets acquired on acquisition of control of Data Centre LP on July 31, 2015 are as follows:

		Total
Finance lease receivable	$	66,034
Working capital		940
Mortgage		(37,611)
Other facility 1		(2,414)
Other facility 2		(800)
Net assets at 100%		26,149
Non-controlling interest		(5,230)
Net assets at REIT's 80% share	$	20,919

Consideration provided for the acquisition of Data Centre LP on July 31, 2015 was comprised of the following:

		Total
50% equity investment in Data Centre LP	$	13,743
Conversion of Mezzanine Loan		7,723
Adjustments on acquisition of control(1)		(547)
Total	$	20,919

(1) Represents costs of completing acquisition and the deference between the carrying value of the REIT's equity investment on acquisition and the fair value of net assets acquired and is recorded in acquisition and disposition costs.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The REIT acquired the remaining 20% interest on October 16, 2015. Consideration for the acquisition of the remaining 20% was as follows:

		Total
Acquisition of 20% of Data Centre	$	5,200
Adjustments on acquisition		130
Total consideration	$	5,330

9. Finance lease receivable

The lease with the tenant occupying the Data Centre has an initial term to maturity of 15 years commencing June 5, 2015, with the option to extend for three additional five year terms. The tenant has a one-time option to acquire the property after the initial term of the lease for $12.0 million. The terms of the lease meet the requirements for classification of the lease as a finance lease at inception, because the minimum lease payments will amount to at least substantially all of the fair value of the leased asset. The amortized carrying amount of the finance lease receivable at December 31, 2015 is $65.2 million. The current portion of the finance lease is $2.1 million as at December 31, 2015. Interest income of $1.7 million was recognized during the period ended December 31, 2015 in respect of the lease.

A reconciliation of the change during 2015 in the finance lease receivable is as follows:

Balance, July 31, 2015	$	66,034
Lease payments received		(2,541)
Finance income on finance lease receivable		1,721
Balance, December 31, 2015	$	65,214

The following is a summary of the undiscounted future minimum lease payments receivable to the present value of the minimum lease payments receivable which represents the amount recorded on the consolidated statements of financial position at December 31, 2015:

		Future minimum lease payments		Interest portion		Present value of minimum lease payments
Less than one year	$	6,099	$	4,041	$	2,058
Greater than one year but less than 5 years		24,580		14,740		9,840
Greater than 5 years		74,216		20,900		53,316
Total					$	**65,214**

10. Note receivable

The note receivable accrued interest at a rate of 13.3% per annum. On July 31, 2015 the principal and accrued interest was converted into a 30% ownership interest in Data Centre LP.

11. Accounts receivable

Accounts receivable is comprised of the following:

	Note		December 31, 2015		December 31, 2014
Rent receivable		$	2,797	$	301
Accrued recovery income			1,231		128
Accrued interest on note receivable	*10*		—		601
Other			2,267		4,677
Allowance			(159)		(130)
		$	6,136	$	5,577

Rent receivable consists of base rent and operating expense recoveries receivable from tenants. Accrued recovery income represents amounts that have not been billed to tenants and are generally billed and paid in the following year to which they relate.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

Included in other amounts receivable is $0.8 million (2014 – $3.8 million) due from Slate relating to the suburban office acquisition for free rent adjustments, tenant inducements and leasing commissions. The receivable will be collected as the related items are paid or incurred in connection with the tenant lease agreements. The receivable is non-interest bearing and unsecured. The balance of other receivables relate to specific receivables for post-closing acquisition adjustments.

The change in allowance for doubtful accounts is as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Balance, beginning of the period	**$ (130)**	$ —
Allowance	**(159)**	(130)
Bad debt recovery	**130**	—
Balance, end of the period	**$ (159)**	$ (130)

An allowance is provided when collection is no longer reasonably assured. This includes bankruptcy, abandonment by tenants and in certain tenant disputes.

The aging analysis of rents receivable past due is as follows:

	December 31, 2015	December 31, 2014
Current to 30 days	**$ 1,793**	$ 110
31 to 90 days	**465**	8
Greater than 90 days	**539**	183
Total	**$ 2,797**	$ 301

12. Debt

Debt held by the REIT at December 31, 2015 is as follows:

	Maturity [1]	Coupon [2] [3]	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn [4]
Mortgages	Various	Various	15	$ 316,270	$ 241,415	$ 241,415	$ —	$ —
Revolving operating facility	Jun. 30, 2018	BA+200 bps	8	280,700	214,416	196,900	—	17,516
Revolving credit facility	Nov. 30, 2017	BA+200 bps	4	51,840	31,239	25,000	1,172	5,067
Co-owned properties term loan [5]	Jun. 30, 2017	BA+213 bps	3	42,900	31,500	31,500	—	—
Other facility	Oct. 1, 2025	4.27%	1	—	2,900	2,825	—	75
Total			31	$ 691,710	$ 521,470	$ 497,640	$ 1,172	$ 22,658

(1) The weighted average remaining term to maturity of mortgages is 3.4 years with maturities ranging from 0.8 to 14.8 years.
(2) The weighted average interest rate of mortgages is 3.6% with coupons ranging from 3.15% to 4.60%.
(3) "BA" means the one-month Bankers' Acceptances rate; "Prime" means the reference rate of interest as set by the lending institution and "bps" means basis point or 1/100th of one percent.
(4) Debt is only available to be drawn subject to certain covenants.
(5) The term loan on co-owned properties relates to the co-owned properties in St. John's, Newfoundland, and includes a limited recourse guarantee by the REIT of its interest. Amounts are presented at the REIT's 30% share.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The carrying value of debt held by the REIT at December 31, 2015 is as follows:

		Principal		Mark-to-market ("MTM") adjustments and costs		Amortization of MTM adjustments and costs		Carrying amount		Current		Non-current
Mortgages payable	$	**241,415**	$	**(448)**	$	**302**	$	**241,269**	$	**4,626**	$	**236,643**
Revolving operating facility		**196,900**		**(1,871)**		**300**		**195,329**		**—**		**195,329**
Revolving credit facility		**25,000**		**(556)**		**288**		**24,732**		**—**		**24,732**
Co-owned properties term loan		**31,500**		**(59)**		**8**		**31,449**		**—**		**31,449**
Other facility		**2,825**		**—**		**—**		**2,825**		**129**		**2,696**
	$	**497,640**	$	**(2,934)**	$	**898**	$	**495,604**	$	**4,755**	$	**490,849**

Debt held by the REIT at December 31, 2014 is as follows:

	Maturity (1)	Coupon (2)	Properties provided as security	Fair value of security		Maximum available		Principal		Letters of credit		Available to be drawn (3)
Mortgages	Various	Various	30	408,568	$	270,559	$	270,559	$	—	$	—
Revolving credit facility	Nov. 30, 2015	Prime + 1.25%	4	25,638		12,069		1,500		—		10,569
Vendor take-back loan	Jun. 28, 2015	3.0%	—	—		9,180		9,180		—		—
Total			**34**	**434,206**	**$**	**291,808**	**$**	**281,239**	**$**	**—**	**$**	**10,569**

(1) The weighted average remaining term to maturity of mortgages is 3.47 years with maturities ranging from 0.25 to 10.10.
(2) The weighted average interest rate of mortgages is 4.07% with coupons ranging from 3.51% to 6.15%.
(3) Debt is only available to be drawn subject to certain covenants.

The carrying value of debt held by the REIT at December 31, 2014 is as follows:

		Principal		Mark-to-market ("MTM") adjustments and costs		Amortization of MTM adjustments and costs		Carrying amount		Current		Non-current
Mortgages payable	$	270,559	$	331	$	(982)	$	269,908	$	18,055	$	251,853
Revolving credit facility		1,500		—		(102)		1,398		1,398		—
Vendor take-back loan		9,180		—		—		9,180		9,180		—
	$	**281,239**	**$**	**331**	**$**	**(1,084)**	**$**	**280,486**	**$**	**28,633**	**$**	**251,853**

Future principal payments and maturity schedule, excluding amortization of mark-to-market adjustments and transaction costs, on debt as at December 31, 2015 are as follows:

2016	$	4,755
2017		203,962
2018		202,522
2019		14,041
2020		3,429
Thereafter		68,931
	$	497,640

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

13. Security deposits and provisions

Security deposits and provisions are comprised the following:

	December 31, 2015	December 31, 2014
Security deposits	**$ 4,216**	$ 2,459
Provisions	**19**	623
	$ 4,235	$ 3,082

14. Interest rate swaps

The REIT enters into interest rate swaps to reduce the impact of certain mortgages payable with fluctuating interest rates. The swaps are derivative financial instruments that require a periodic exchange of payments with counterparties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps. These swaps are not designated as hedging instruments that qualify for hedge accounting under IFRS.

The interest rate swaps are measured at fair value with fair values calculated as the present value of contractual cash flows based on forward curves and an applicable yield curve.

The following are the terms and fair values of the REIT's interest rate swaps:

Maturity date	Fixed interest rate	Notional amount December 31, 2015	Notional amount December 31, 2014	Fair value at December 31, 2015	Fair value at December 31, 2014
Feb. 1, 2025	5.89%	$ —	$ 3,840	**$ —**	$ 634
Aug. 14, 2023	4.60%	21,790	22,325	**2,163**	1,482
May 1, 2023	3.68%	23,347	24,005	**990**	123
				$ 3,153	$ 2,239

The following is a reconciliation of the change in the balance of the interest rate swap liability during the years ended December 31:

	2015	2014
Balance, beginning of period	**$ 2,239**	$ (936)
Extinguishment	**(651)**	—
Fair value changes	**1,565**	3,175
Balance, end of period	**$ 3,153**	$ 2,239

15. Class B LP units

Class B LP units are exchangeable at the option of the holder into trust units of the REIT on a one-for-one basis subject to normal anti-dilution adjustments and are entitled to distributions of cash, as applicable, equal to the cash distributions paid to holders of units by the REIT.

Each Class B LP unit is attached to a special voting unit of the REIT, providing Class B LP unitholders voting rights in the REIT. Special voting units have no economic entitlement in the REIT but entitle the holder to one vote per special voting unit at any meeting of the unitholders of the REIT. Special voting units are not transferable separately from the Class B LP units to which they are attached. Upon the exchange or surrender of a Class B LP units for units of the REIT, the special voting unit attached to a Class B LP unit will automatically be redeemed and canceled.

The Class B LP units are re-measured based on the quoted closing price of REIT units into which they are exchangeable with changes in fair value recognized in net income.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

The change in Class B LP units during the year are as follows:

		2015			2014		
	Note	**Units**		**Amount**	Units		Amount
Balance, beginning of period		**5,073,818**	**$**	**38,460**	2,977,132	$	25,871
Issuances	*5*	**211,342**		**1,491**	2,096,686		15,033
Fair value changes		**—**		**(2,691)**	—		(2,444)
Balance, end of period		**5,285,160**	**$**	**37,260**	5,073,818	$	38,460

16. Warrants

In connection with the REIT's initial public offering in 2012, 1,598,550 warrants were issued. Each warrant entitled the holder to acquire one trust unit of the REIT at an exercise price of $10.50 per trust unit at any time until December 28, 2015. The warrants expired unexercised.

17. Accounts payable and other liabilities

Accounts payable and other liabilities is comprised of the following:

		December 31, 2015		December 31, 2014
Trade payables and accrued liabilities	**$**	**17,260**	$	8,089
Prepaid rent		**2,460**		912
Tenant improvement payable		**866**		3,300
	$	**20,586**	$	12,301

18. Unitholders' equity

The REIT is authorized to issue an unlimited number of trust units. Each trust unit represents a proportionate undivided beneficial interest and voting right in the REIT and entitles the holder to an equal participation in distributions of the REIT. The trust units are redeemable at the option of the holder at any time.

The REIT is also authorized to create and issue an unlimited number of preferred units, in one or more classes comprised of unlimited series, having terms and conditions as may be determined by the Board of Trustees from time to time. No preferred units have been issued.

The change in trust units during the years ended December 31, 2015 and 2014 are as follows:

		2015			2014		
	Note	**Units**		**Amount**	Units		Amount
Balance, beginning of year		**14,935,795**	**$**	**124,532**	8,974,482	$	77,993
Issued on public offering		**10,820,000**		**75,199**	1,955,000		17,302
Issued on private placement		**4,729,729**		**35,000**	831,639		7,360
Issued for property acquisitions		**—**		**—**	2,794,363		20,036
Issued pursuant to DRIP	*19*	**135,879**		**965**	380,311		3,133
Cost of issuances		**—**		**(4,279)**	—		(1,292)
Repurchase of units		**(579,973)**		**(4,387)**	—		—
Balance, end of year		**30,041,430**	**$**	**227,030**	14,935,795	$	124,532

Issuance of June 2015 trust units

On June 10, 2015, the REIT completed a public offering of 10,820,820 subscription receipts at $7.40 per subscription receipt, for gross proceeds of $80.1 million. Each subscription receipt, entitled the the holder to the right to receive one trust unit upon completion of the acquisition of the Fortis Properties. On June 30, 2015, upon completion of the acquisition of the Fortis Properties, the REIT issued trust units to the holders.The issuance of the subscription receipts at $7.40 per unit represents an estimated $0.45 price premium over the fair value of the trust units on June 30, 2015 of $6.95 per trust unit, resulting in a total premium of $4.9 million which has been recorded in change in fair value of financial instruments, which results in the trust units issued at $75.2 million. In addition, the Trust completed a $35.0 million private placement of units of the REIT to Fortis Inc., an affiliate of Fortis Properties.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

Issuance of December 2014 trust units

On December 17, 2014, as partial consideration for the suburban office acquisition, the REIT issued 2,794,363 trust units at fair value of $7.17 per trust unit for gross proceeds of $20.0 million.

Issuance of May 2014 trust units

On May 13, 2014, the REIT completed a public offering of 1,955,000 trust units, inclusive of 255,000 trust units issued pursuant to the full exercise of the over-allotment option at a price of $8.85 per trust unit, for gross proceeds of approximately $17.3 million.

Concurrent with the closing of the public offering in May 2014, the REIT issued 831,639 trust units on a private placement basis to the Manager, at a purchase price of $8.85 per trust unit for gross proceeds of $7.4 million.

Normal course issuer bid

The REIT has registered a normal course issuer bid ("NCIB"). The NCIB commenced on August 17, 2015 and ceases at the earlier of January 12, 2016 or the date on which the REIT has purchased an aggregate of 850,154 trust units (representing approximately 10% of the REIT's issued and outstanding trust units at the time of entering the NCIB).

For the year ended December 31, 2015, 579,973 trust units were purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of $4.4 million at an average price of $7.35 per unit.

Deferred unit plan

Effective May 26, 2015, the REIT adopted a Deferred Unit Plan (“DUP”). Trustees who are not employees of the REIT of the Manager, Slate Asset Management, or any of their subsidiaries, are eligible to participate in the DUP. Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

The deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request.

As at December 31, 2015, the liability associated with the deferred units was $0.12 million, and the number of outstanding deferred units was 17,440.

Weighted average units outstanding

The following is the number of units outstanding during the years ended December 31, 2015 and 2014 on a basic and diluted basis. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and DUP units to have been converted to units of the REIT, but without adjustment for the warrants as the warrants were anti-dilutive:

	2015	**2014**
Basic weighted average trust units outstanding	**22,720,136**	14,100,000
Impact of Class B LP units	**5,126,509**	3,057,553
DUP units	**5,013**	—
Diluted weighted average trust units outstanding	**27,851,658**	17,157,553

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

19. Distributions

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the Board of Trustees. During the years ended December 31, 2015, the REIT declared distributions each month of $0.0625 per unit.

The following table summarizes the distributions during the year:

	2015		2014	
	Trust units	**Class B LP units**	Trust units	Class B LP units
Cash distributions	**$ 16,859**	**$ 3,846**	$ 7,386	$ 503
DRIP distributions	**1,087**	**—**	1,066	1,861
Distributions declared during the period	**17,946**	**3,846**	8,452	2,364
Add: Distributions payable, beginning of period	**933**	**317**	561	186
Less: Distributions payable, end of period	**(1,878)**	**(330)**	(933)	(317)
Distributions paid or settled during the period	**$ 17,001**	**$ 3,833**	$ 8,080	$ 2,233

The REIT has a distribution reinvestment program ("DRIP") where unitholders, including holders of Class B LP units, elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution. During the year ended December 31, 2015 the REIT issued 154,721 trust units (2014 - 356,465) under the DRIP.

20. Rental revenue

Rental revenue is comprised of the following:

	Year ended December 31, 2015	2014
Property base rent	**$ 48,070**	$ 20,766
Operating cost and tax recoveries	**33,532**	12,010
Hotel	**4,313**	—
Straight-line rent adjustments and other changes	**1,628**	311
	$ 87,543	$ 33,087

The REIT has contracted to receive the following future minimum lease payments under non-cancellable operating leases at December 31, 2015:

Not later than one year	**$ 58,460**
Later than one year and not later than five years	**175,043**
Later than five years	**168,485**
	$ 401,988

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

21. General and administrative

General and administrative expenses is comprised of the following:

	Year ended December 31, 2015	2014
Professional fees	**$ 718**	$ 560
Asset management fees	**1,921**	857
Trustee fees	**272**	278
Special committee expenses	**—**	1,876
Other	**577**	338
	$ 3,488	$ 3,909

22. Interest and finance costs

Interest and finance costs are comprised of the following:

	Note	Year ended December 31, 2015	2014
Mortgage interest	*12*	**$ 10,597**	$ 6,227
Interest on other debt	*12*	**3,617**	166
Interest on vendor take-back loan	*12*	**185**	276
Accretion on vendor take-back loan	*12*	**—**	291
Amortization of deferred transaction costs	*12*	**735**	253
Amortization of debt mark-to-market adjustment	*12*	**(331)**	(221)
Mortgage discharge		**536**	—
		$ 15,339	$ 6,992

23. Change in fair value of financial instruments

The change in fair value of financial instruments is comprised of the following:

	Note	Year ended December 31, 2015	2014
Interest rate swaps	*14*	**$ (1,565)**	$ (3,175)
Subscription receipts	*18*	**4,869**	—
Warrants	*16*	**8**	56
		$ 3,312	$ (3,119)

24. Related party transactions

The REIT has a management agreement (the “Management Agreement”) with Slate Management Corporation ("SMC"), a subsidiary of Slate Asset Management L.P. ("SLAM"), whereby SMC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition and disposition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets. SLAM is also the manager of the REIT's three co-owned properties in St. John's, Newfoundland.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

SLAM held the following interests in the REIT at December 31:

	Year ended December 31, 2015	2014
REIT units	**1,687,251**	1,687,251
Class B LP units	**5,285,160**	5,073,818
Total	**6,972,411**	6,761,069
Economic interest	**19.7%**	33.8%

The Management Agreement provides for the following fees:

Type	Basis
Property management	3% of revenues
Asset management	0.3% of gross book value
Leasing	5% on new leases, 2% on renewals
Financing	0.25% of debt placed
Construction	5.0% of costs
Acquisition	Variable (1)

(1) Acquisition fees are 1.0% on the first $100 million of acquisitions; 0.75% on the next $100MM of acquisitions and 0.50% for acquisitions in excess of $200 million.

Property and asset management fees are recorded as property operating and general and administrative expenses, respectively, in the period incurred. Acquisition, construction and leasing fees are recorded as additions to investment properties when payable to SMC. Financing fees are capitalized to debt placed at the time of closing and amortized to interest expense over the term to maturity of the related debt.

Fees payable to SMC for services provided during the year ended December 31 were as follows:

	Year ended December 31, 2015	2014
Property management	**$ 2,459**	$ 936
Asset management	**1,921**	857
Leasing, financing, and construction management	**2,203**	374
Acquisition	**2,671**	103
	$ 9,254	$ 2,270

Property administration fees are allowable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. Property administration fees were $4.8 million for the year ended December 31, 2015 (2014 – $1.3 million). These fees are recovered from tenants by the REIT and payable by the REIT to the Manager under the terms of the Management Agreement.

Assets and liabilities included in the consolidated statement of financial position of the REIT related to SMC and SLAM at December 31 were as follows:

	2015	2014
Accounts receivable	**$ 1,424**	$ 3,721
Accounts payable and accrued liabilities	**2,748**	1,000
Vendor take-back loan	**—**	9,180
Class B LP units	**$ 37,260**	$ 13,901

On December 17, 2014, the REIT completed the acquisition of the suburban office properties, with the approval of the unitholders of the REIT, from an entity controlled by SLAM. On October 1, 2015, the REIT acquired 2251 Speakman Drive from SLAM. Refer to note 5 for details of acquisition.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

SMC has provided a guarantees on mortgages with aggregate principal balances of $3.6 million at December 31, 2015 (2014 – $1.8 million).

25. Fair values

The REIT uses various methods in estimating the fair values of assets and liabilities recognized and measured at fair value in its consolidated financial statements. The REIT has a management team that has overall responsibility for overseeing all significant fair value measurements. Significant unobservable inputs and valuation adjustments are reviewed on a regular basis. In addition, when third party information is used to measure fair values, supporting evidence is obtained and reviewed to ensure compliance with the IFRS requirements. The following categories in the fair value hierarchy reflect the significance of inputs used in determining fair values:

Level 1 - quoted prices in active markets;

Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and

Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair values of the REIT's cash, restricted cash, accounts receivable and accounts payable and other liabilities approximate their carrying amounts due to the relatively short periods to maturity of these financial instruments. The fair value of the REIT's revolving credit facility, revolving operating facility and co-owned properties term loan, approximates their carrying value since the facilities bear interest at floating market interest rates. Mortgages are measured at amortized cost, and their fair values are based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The note receivable and the vendor take-back loan were measured at amortized cost, for which fair values approximated face value due to the relatively short period to maturity.

The following tables summarize the fair value measurements recognized on the consolidated statement of financial position or disclosed in the REIT's consolidated financial statements, categorized by fair value hierarchy:

			Fair Value		
December 31, 2015	**Note**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Recorded at fair value					
Investment properties	*4*	$ 729,089	$ —	$ —	$ 729,089
Interest rate swaps	*14*	(3,153)	—	(3,153)	—
Class B LP units	*15*	(37,260)	(37,260)	—	—
Fair values disclosed					
Cash		8,917	8,917	—	—
Restricted cash		1,403	1,403	—	—
Debt	*12*	$ (495,604)	$ —	$ (499,086)	$ —

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

			Fair Value		
December 31, 2014	**Note**	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Recorded at fair value					
Investment properties	*4*	$ 448,012	$ —	$ —	$ 448,012
Interest rate swaps	*14*	(2,239)	—	(2,239)	—
Class B LP units	*15*	(38,460)	(38,460)	—	—
Warrants	*16*	(8)	(8)	—	—
Fair values disclosed					
Cash		3,067	3,067	—	—
Restricted cash		1,596	1,596	—	—
Note receivable	*10*	6,559	—	6,559	—
Debt	*12*	$ (280,486)	$ —	$ (282,876)	$ —

26. Risk management

In the normal course of business, the REIT is exposed to financial risks that arise from its financial instruments. Other than the use of interest rate swaps related to its floating rate mortgages payable, the REIT does not use hedging transactions to manage risk. As a part of the overall operation of the REIT, management takes steps to avoid undue concentrations of risks. The following describes the types of risks that the REIT is exposed to and its objectives and policies for managing those risk exposures:

Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting its debt and other financial obligations as they mature.

The principal liquidity needs of the REIT arise from working capital requirements; debt servicing and repayment obligations; distributions to unitholders; obligations to redeem outstanding puttable trust units at the option of the unitholders; planned funding of maintenance capital expenditures and leasing costs; and future investment property acquisition funding requirements.2

The liquidity needs of the REIT are funded by cash flows from operating the REIT's investment property portfolio and available credit facilities, with the exception of debt repayment obligations, investment property acquisition funding requirements and obligations to redeem puttable trust units. These are funded by refinancing the REIT's maturing debt, financing unencumbered properties, or future issuances of REIT units and debentures. The particular features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of this strategy.

There is a risk that lenders will not refinance maturing debt on terms and conditions acceptable to the REIT or on any terms at all. The risk associated with the refinancing of maturing debt is mitigated by matching debt maturities with lease renewals to optimize the value of the assets with the leverage to achieve the best value for pricing. In addition, the REIT staggers the maturity dates of the REIT's mortgage portfolio over a number of years.

The following table summarizes the estimated contractual maturities of the REIT's financial liabilities as at December 31, 2015:

	Total contractual cash flow	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**After 5 years**
Accounts payable and other liabilities	$ 20,586	$ 20,586	$ —	$ —	$ —
Amortizing principal repayments on debt	44,563	3,245	7,000	7,094	27,224
Principal repayments on maturity of debt	453,077	1,510	399,484	10,376	41,707
Interest on debt(1)	50,760	15,546	16,747	6,574	11,893
Interest rate swaps(2)	4,544	668	1,294	1,202	1,380
Security deposits	4,216	1,266	692	797	1,461
Total	**$ 577,746**	**$ 42,821**	**$ 425,217**	**$ 26,043**	**$ 83,665**

(1) Interest amounts on floating debt have been determined using floating rates at December 31, 2015.
(2) Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the December 31, 2015 floating rate.

(all tabular amounts are expressed in thousands of Canadian dollars, unless otherwise noted)

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows or fair values of the REIT's financial instruments.

Interest rate cash flow risk is minimized by the REIT by having a portion of its mortgages on fixed term arrangements. In addition, the maturity dates of mortgages are staggered over a number of years to mitigate the exposure in any one year. The REIT also utilizes interest rate swaps to fix interest rates on a portion of its floating rate mortgages.

As at December 31, 2015 and 2014, excluding the mortgages associated with interest rate swaps, the REIT had a floating rate mortgage and debt of $397.4 million (2014 – $145.5 million). The following table presents the impact of a change in floating interest rates of 100 bps, on finance costs.

Change of 100bps	$	3,974	$	1,455

Credit risk

Credit risk is the risk that the REIT incurs a loss as a result of a counterparty not fulfilling its financial obligation. Credit risk is associated with the REIT's cash, restricted cash and accounts receivable, and note receivable. The REIT controls risks by avoiding undue concentration of assets in any geographic location, in any industry or with any specific tenants. This risk is further mitigated by signing long-term leases with tenants who have investment-grade credit ratings and investing cash and cash equivalents in large financial institutions with strong credit ratings. The REIT has credit policies to address credit risk, which are applied during lease negotiations and may include the analysis of the financial position of the debtor, and a review of credit limits, credit history and credit performance.

27. Capital management

The REIT's capital management objectives are to (i) ensure compliance with the REIT's Declaration of Trust (ii) ensure compliance with restrictions in debt agreements, and (iii) provide sufficient liquidity to operate the REIT's properties, fund obligations as they become due and build unitholder value. Procedures to monitor compliance with the Declaration of Trust and debt agreements are performed as a part of the overall management of operations and periodically by review of the REIT's board of trustees and reporting to the REIT's lender. In order to maintain or adjust the capital structure, the REIT may issue trust units, debentures or mortgage debt; adjust the amount of distributions paid to unitholders, return capital to unitholders, or reduce or increase debt.

The REIT considers its debt and equity instruments to be its capital as follows:

		December 31, 2015		December 31, 2014
Debt	**$**	**495,604**	$	280,486
Class B LP units		**37,260**		38,460
Warrants		**—**		8
Equity		**252,157**		140,094
	$	**785,021**	$	459,048

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 65% of gross book value, as defined by the Declaration of Trust, and calculated as follows:

		December 31, 2015		December 31, 2014
Total assets	**$**	**812,995**	$	476,670
Less: restricted cash		**(1,403)**		(1,596)
Gross book value	**$**	**811,592**	$	475,074
Debt		**495,604**		280,486
Leverage ratio		**61.1%**		59.0%

Additional investment and operating guidelines are provided for by the Declaration of Trust. The REIT is in compliance with these guidelines.

The REIT's revolving operating facility, revolving credit facility and co-owned properties loan are subject to financial and other covenants, including customary maximum leverage ratios, interest service coverage ratios, minimum debt service coverage ratios, minimum unitholders' equity among others. The REIT is in compliance with these covenants.

28. Income taxes

The Income Tax Act (Canada) contains legislation affecting the tax treatment of specified investment flow-through ("SIFT") trusts which include publicly-listed income trusts (the "SIFT Rules"). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT's taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital are generally not subject to tax.

The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions"). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period. The REIT has reviewed the SIFT Rules and has assessed their application to the REIT's assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the years ended December 31, 2015 and 2014, and accordingly is not subject to current income taxes. The REIT intends to continue to meet the REIT Conditions and to distribute all its taxable income to its unitholders. Accordingly, the REIT has not recognized any deferred income tax assets or liabilities at December 31, 2015 or December 31, 2014.

29. Subsequent events

On January 15, 2016, the REIT renewed its NCIB, whereby the REIT may purchase up to 2,334,509 trust units, subject to certain restrictions. The renewed NCIB expires on the earlier of January 25, 2017 and repurchase of the maximum number of trust units.

On each of January 15, 2016 and February 16, 2016 the REIT declared monthly distributions of $0.0625 per trust unit. Holders of Class B LP units of the REIT were also entitled to receive a distribution of $0.0625 per trust unit.