Consolidated Financial Statements
(In Canadian dollars)

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Years ended December 31, 2024 and 2023

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Independent Auditor's Report

To the Unitholders of True North Commercial Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of True North Commercial Real Estate Investment Trust and its subsidiaries (the "REIT"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of loss and comprehensive loss, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

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 REIT 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 Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair Value of Investment Properties
(Refer to Note 5 of the Consolidated Financial Statements)

As at December 31, 2024, the fair value of the REIT's investment properties and investment properties held for sale totaled $1,219 million, which accounted for approximately 98% of the REIT's total assets.

The valuation of investment properties is a key audit matter due to estimation related to the key inputs used in the valuation techniques and the sensitivity of fair value to changes in significant assumptions. The key inputs used in determining fair value include capitalization rates, discount rates and estimated future cash flows, which are influenced by the characteristics, location and market of each investment property and prevailing market conditions.

How the Audit Matter was Addressed in the Audit
Our audit included the following procedures, among others:

- assessed the competence, capabilities and objectivity of a sample of external appraisers engaged by the REIT and the REIT's management who were involved in the valuation process;

- obtained an understanding of the techniques used by the external appraisers and management in determining the valuation of investment properties on a sample basis;
- with the assistance of our internal real estate valuation experts, evaluated the fair value techniques and key inputs used by the external appraisers and management on a sample of investment properties;
- assessed the internal consistency of significant underlying assumptions such as discount rates, capitalization rates and net operating incomes and compared the significant underlying assumptions to the market on a sample basis;
- assessed management's review and approval process for estimated future cash flows and fair value determinations; and
- evaluated the adequacy of the disclosures included in the consolidated financial statements relating to the fair value of investment properties.

Because of the estimation involved in determining fair value for investment properties and the existence of potential alternative assumptions and valuation methods, we determined a range of fair values that were considered reasonable to evaluate the fair values determined by the external appraisers and management.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis for the year ended December 31, 2024.

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 identified above 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 the Management's Discussion and Analysis for the year ended December 31, 2024 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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.

In preparing the consolidated financial statements, management is responsible for assessing the REIT'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 REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT'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 REIT'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 REIT'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 REIT 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 REIT 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 Jameson Bouffard.

/s/ BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 18, 2025

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	Notes		December 31, 2024		December 31, 2023
Assets					
Non-current assets:					
Investment properties	5	$	1,159,705	$	1,250,431
Derivative instruments	11		376		1,197
Other assets	4		821		892
Total non-current assets			1,160,902		1,252,520
Current assets:					
Investment properties held for sale	5		59,089		54,331
Tenant and other receivables	6		4,530		2,847
Prepaid expenses and deposits			2,740		3,101
Derivative instruments	11		639		1,927
Cash and cash equivalents			12,331		8,946
Total current assets			79,329		71,152
Total assets		**$**	**1,240,231**	**$**	**1,323,672**
Liabilities and unitholders' equity					
Non-current liabilities:					
Mortgage payable	7	$	468,167	$	694,379
Class B LP Units	8		4,426		4,231
Total non-current liabilities			472,593		698,610
Current liabilities:					
Mortgage payable	7		269,407		103,014
Credit facility	9		30,170		23,600
Tenant rental deposits and prepayments			9,180		8,998
Accounts payable and accrued liabilities	10		42,884		36,646
Total current liabilities			351,641		172,258
Total liabilities			824,234		870,868
Unitholders' equity	12		415,997		452,804
Total liabilities and unitholders' equity		**$**	**1,240,231**	**$**	**1,323,672**

Commitments and contingencies (note 17).

Subsequent events (note 21).

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board of Trustees (the "Board") on March 18, 2025.

“Sandy Poklar” Trustee

“Alon Ossip” Trustee

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars)
Years ended December 31, 2024 and 2023

	Notes	2024	2023
Revenue	14	$ 126,908	$ 132,204
Expenses:			
Property operating		(41,511)	(39,492)
Realty taxes		(19,576)	(20,164)
		65,821	72,548
Other income (expenses):			
General and administration expenses		(5,831)	(5,640)
Finance costs	15	(33,444)	(34,186)
Transaction costs on sale of investment properties	3	(1,969)	(1,376)
Distributions on Class B LP Units	8	—	(739)
Fair value adjustment of Class B LP Units	8	(214)	10,135
Fair value adjustment of investment properties and investment properties held for sale	5	(43,208)	(80,205)
Unrealized loss on change in fair value of derivative instruments	11	(2,108)	(1,158)
Net loss and comprehensive loss		$ (20,953)	$ (40,621)

See accompanying notes to consolidated financial statements.

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars)
Years ended December 31, 2024 and 2023

	Note	Unit capital	Income and distributions	Total
		Note 12(e)		
Unitholders' equity, January 1, 2024		$ 561,893	$ (109,089)	$ 452,804
Changes during the year:				
Units issued and repurchased, net of costs		(15,854)	—	(15,854)
Net loss and comprehensive loss for the year		—	(20,953)	(20,953)
Unitholders' equity, December 31, 2024		$ 546,039	$ (130,042)	$ 415,997
Unitholders' equity, January 1, 2023		$ 563,277	$ (41,139)	$ 522,138
Changes during the year:				
Units issued and repurchased, net of costs		(2,975)	—	(2,975)
Net loss and comprehensive loss for the year		—	(40,621)	(40,621)
Distributions		—	(27,329)	(27,329)
Issue of Units under DRIP	12(g)	1,591	—	1,591
Unitholders' equity, December 31, 2023		561,893	(109,089)	452,804

See accompanying notes to consolidated financial statements.

TRUE NORTH COMMERCIAL REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
Years ended December 31, 2024 and 2023

	Notes	2024	2023
Operating activities:			
Net loss and comprehensive loss		$ (20,953)	$ (40,621)
Adjustments for financing activities included in loss:			
Finance costs	15	33,444	34,186
Distributions on Class B LP Units	8	—	739
Fair value adjustment of Class B LP Units	8	214	(10,135)
Adjustments for items not involving cash:			
Fair value adjustment of investment properties and investment properties held for sale	5	43,208	80,205
Unrealized loss on change in fair value of derivative instruments	11	2,108	1,158
Unit-based compensation expense		200	563
Fair value adjustment of Unit-based compensation		197	(571)
Straight-line rental revenue		3,865	(866)
Amortization of leasing costs and tenant inducements		10,033	9,261
Transaction costs on sale of investment properties		1,969	1,376
Change in non-cash operating working capital	16(a)	1,389	(1,352)
Cash provided by operating activities		75,674	73,943
Investing activities:			
Dispositions	3	59,407	47,374
Additions to investment properties and investment properties held for sale	5	(29,842)	(14,927)
Cash provided by investing activities		29,565	32,447
Financing activities:			
Proceeds from credit facility		22,000	24,700
Repayment of credit facility		(15,430)	(15,500)
Proceeds of mortgage financing, net of costs		27,857	129,510
Repayment of mortgage financing		(31,369)	(125,327)
Repayment of mortgages on sale of investment properties		(35,617)	(31,057)
Principal payments on mortgages		(22,326)	(23,778)
Payments received on instalment notes receivable		47	54
Proceeds from vendor take-back mortgage		—	1,725
Cash distributions on Class B LP Units		—	(809)
Finance costs paid		(31,108)	(32,747)
Units repurchased and cancelled under NCIB, net of costs		(15,908)	(3,378)
Cash distributions to unitholders		—	(30,338)
Cash used in financing activities		(101,854)	(106,945)
Increase (decrease) in cash and cash equivalents		3,385	(555)
Cash and cash equivalents, beginning of year		8,946	9,501
Cash and cash equivalents, end of year		$ 12,331	$ 8,946
Supplemental cash flow information:			
Units issued under DRIP - unitholders		—	1,536
Units issued under DRIP - Class B LP Units		—	55
Units issued in exchange for Class B LP Units		19	262

See accompanying notes to consolidated financial statements.

Organization:

True North Commercial Real Estate Investment Trust (the “REIT”) is an unincorporated, open-ended real estate investment trust established pursuant to the third amended and restated declaration of trust made as of May 11, 2021 (“DOT”), and governed by the laws of the Province of Ontario. The REIT incorporated True North Commercial General Partner Corp. (“TNCGP”) on November 16, 2012 and with TNCGP, formed True North Commercial Limited Partnership (“TNCLP”) on November 16, 2012.

The REIT is listed on the Toronto Stock Exchange (“TSX”) under the symbol TNT.UN. The registered office of the REIT is 1400 - 3280 Bloor Street West, Centre Tower, Toronto, Ontario, Canada, M8X 2X3.

On November 24, 2023, the REIT executed a consolidation of its trust units ("Units"), special voting Units of the REIT and the class B limited partnership units of TNCLP ("Class B LP Units") on the basis of 5.75:1. All Units and per Unit amounts included in the consolidated financial statements have been retroactively adjusted to reflect the Unit consolidation.

1. Basis of presentation

(a) Statement of compliance:

These consolidated financial statements of the REIT have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

(b) Basis of presentation:

The REIT holds its interest in investment properties and other assets and liabilities related to the investment properties in TNCLP, which is wholly owned by the REIT. All intercompany transactions and balances between the REIT and the subsidiary entities have been eliminated upon consolidation.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the REIT.

These consolidated financial statements have been prepared on a historical cost basis, except for investment properties, Class B LP Units, incentive units under the REIT's incentive trust unit plan dated June 19, 2019 as amended and restated on March 21, 2022 and March 14, 2023 (the “Incentive Unit Plan”) and derivative instruments, which are stated at their fair values.

(c) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these 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 applicable future period.

(i) Critical judgments in applying accounting policies:

The following are critical judgments management has made in the process of applying its accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements:

- Accounting for acquisitions:

  The REIT assesses whether an acquisition is an asset acquisition or a business combination.

  The REIT accounts for an acquisition as a business combination if the assets acquired and liabilities assumed constitute a business and the REIT obtains control of the business. When the cost of a business combination exceeds the fair value of the identifiable assets acquired or liabilities assumed, such excess is recognized as goodwill. Transaction related costs are expensed as incurred.

  If an acquisition does not meet the definition of a business combination, the REIT accounts for the acquisition as an asset acquisition. The investment property acquired is initially measured at the purchase price, including directly attributable costs. Subsequent to initial measurement, investment properties are carried at fair value.

- Income taxes:

  Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided its taxable income is fully distributed to unitholders during the year. The REIT is a real estate investment trust if it meets prescribed conditions under the Income Tax Act (Canada) (the “Tax Act”) relating to the nature of its assets and revenue (the “REIT Conditions”). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT’s assets and revenue, and it has determined it qualifies as a real estate investment trust.

  The REIT expects to continue to qualify as a real estate investment trust under the Tax Act; however, should it no longer qualify it would not be able to flow-through its taxable income to unitholders and the REIT would, therefore, be subject to tax.

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Valuation of investment properties:

  The estimates used when determining the fair value of an investment property are discount rates, terminal capitalization rates, capitalization rates and future cash flows. The discount, terminal capitalization and capitalization rates applied are reflective of the characteristics, location and market of the investment property. The future cash flows of an investment property are based upon rental income from current leases and assumptions about occupancy rates and market rents from future leases, less future cash outflows relating to such current and future leases. Management determines fair value utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

  The REIT continues to revise its estimates concerning rental growth and lease renewal assumptions to reflect market conditions, and currently, future cash flows are predicted to remain relatively stable as government and credit rated tenants comprise the majority of the REIT's tenant base. However, given the continued uncertainty surrounding the approach by certain tenants to continue working from home, combined with fluctuating interest rates and the potential negative impact these may have on certain sectors of the real estate industry, it is not possible to predict how the fair value of the REIT's investment properties may be impacted in the longer term. Significant changes in rental income, occupancy rates, tenant inducements and market rents could negatively impact future valuations of the REIT's investment properties. The fair value of the REIT's investment properties as at December 31, 2024 is based upon available market data which given the lack of relevant transactions is limited.

2. Material accounting policies

(a) Investment properties:

Investment properties are held to earn rental income, for capital appreciation or both, but not for sale in the ordinary course of business. All of the REIT’s properties are investment properties.

On acquisition, investment properties are initially recorded at cost, including transaction costs. Subsequent to initial recognition, the REIT uses the fair value model to account for investment properties under International Accounting Standard (“IAS”) 40, Investment Property. Under the fair value model, investment properties are recorded at fair value at the consolidated statement of financial position date. Related fair value gains and losses are recorded in profit or loss during the period in which they arise.

(b) Investment properties held for sale:

Investment properties are classified as held for sale when their carrying amount is to be recovered primarily through a sale transaction rather than from continuing use. An investment property held for sale is available for sale in its present condition and the sale is considered highly probable within one year. Investment properties held for sale are measured at fair value.

(c) Revenue recognition:

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 commences when the tenant has a right to use the leased asset. Generally, 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 or landlord works which 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. Any tenant improvements or landlord works are recognized on a straight-line basis over the term of the lease as a reduction to rental revenue.

A straight-line rent receivable, which is included in the carrying amount of investment properties, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Revenue from investment properties includes all rental income earned from the property, including rental income and all other miscellaneous income paid by the tenants under the terms of the operating leases.

Rental revenue also includes recoveries of operating expenses, including property taxes. Operating expense recoveries are recognized in the period in which recoverable costs are chargeable to tenants. Where a tenant is legally responsible for operating expenses and pays them directly in accordance with the terms of the lease, the REIT does not recognize the expenses or any related recovery revenue.

(d) Class B LP Units:

Class B LP Units are exchangeable into Units at the option of the holder per the exchange agreement dated December 14, 2012 (the "Exchange Agreement"). The Units are puttable and, therefore, the Class B LP Units meet the definition of a financial liability under IAS 32, Financial Instruments - Presentation ("IAS 32"). Further, the Class B LP Units are designated as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The fair value of the Class B LP Units is based on the quoted market price of the Units.

(e) Unit capital:

The Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as equity. The Units meet the conditions of IAS 32 and are, therefore, classified and accounted for as equity.

(f) Unit-based compensation plans:

Incentive Unit Plan

On June 10, 2019, the REIT established an Incentive Unit Plan, which issues two types of units: (i) deferred Units ("Deferred Units"); and (ii) restricted Units ("Restricted Units"), collectively ("Incentive Units"). The Incentive Units are issued at the volume weighted average price of Units for the five trading days immediately preceding the last trading day of the grant date. The Incentive Unit Plan provides for the crediting of additional Incentive Units in respect of distributions paid on Units for the period when an Incentive Unit is outstanding.

The Units underlying the Incentive Units are puttable and, therefore the Incentive Units are considered cash settled share based payment transactions under IFRS 2 and are classified as a liability within accounts payable and accrued liabilities. Unit-based compensation expense is recognized in general and administrative expenses over the vesting period. Incentive Units are fair valued at each reporting period and the change in fair value is recorded in profit or loss as part of general and administrative expenses. The fair value of the Incentive Units is estimated based on the quoted market price of the Units at the consolidated statement of financial position date.

(i) Deferred Units

Deferred Units are granted to the non-executive trustees of the REIT ("Trustees") as part of a Trustee's annual fees and vest immediately. The Trustees are required to receive a portion of their annual retainer in the form of Deferred Units and may also elect to receive up to 100% of their remaining fees in Deferred Units.

(ii) Restricted Units

The Trustees may, at their discretion, grant Restricted Units to certain Trustees, officers of the REIT and its subsidiaries and certain eligible service providers, subject to such restrictions including vesting requirements that the Trustees may impose. The Trustees may not extend any vesting conditions beyond November 30 of the third calendar year following the grant date.

(g) Income taxes:

The REIT qualifies as a mutual fund trust and real estate investment trust pursuant to the Tax Act. Under current tax legislation, a real estate investment trust 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 continue to qualify as a real estate investment trust and to make distributions not less than the amount necessary to ensure the REIT will not be liable to pay income taxes. Accordingly, no current or deferred income taxes have been recorded in these consolidated financial statements.

(h) Financial instruments:

Financial assets and liabilities are classified and measured using one of the following methods: (i) fair value through profit and loss ("FVTPL"); (ii) fair value through other comprehensive income ("FVTOCI") and (iii) amortized cost. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as FVTOCI are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial assets and liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

	Classification
Financial assets:	
Derivative instruments	FVTPL
Other assets	Amortized cost
Tenant and other receivables	Amortized cost
Cash and cash equivalents	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Class B LP Units	FVTPL
Credit facility	Amortized cost
Tenant rental deposits and prepayments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Transaction costs directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs or financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

The REIT recognizes an allowance for expected credit losses ("ECL") for financial assets measured at amortized cost at each balance sheet date. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

(i) Accounting standards implemented:

(i) Amendment to IAS 1:

The REIT adopted this amendment on January 1, 2024. The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendment also clarifies the situations that are considered a settlement of a liability. The amendment is effective for annual periods beginning on or after January 1, 2024, with early application permitted. The adoption of this amendment had no significant impact on the consolidated financial statements of the REIT.

(j) Future accounting policy changes:

(i) IFRS 18 Presentation and Disclosure in Financial Statements:

The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1. IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements. It introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies. The standard is effective for annual periods beginning on or after January 1, 2027, with restatement of the comparative period being required and early application permitted. The REIT is currently evaluating the impact of this amendment on future periods.

(ii) Amendments to the Classification and Measurement of Financial Instruments which amended IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures:

The amendments will address diversity in accounting practice by making the requirements more understandable and consistent. These amendments are effective for annual periods beginning on or after January 1, 2026, with early application permitted. The REIT is currently evaluating the impact of these amendments on future periods.

3. Dispositions

The REIT completed the disposition of the following properties during the year ended December 31, 2024:

Property	Closing Date	Sale Price	Net Proceeds[(1)]
251 Arvin Avenue, Hamilton, Ontario	April 8, 2024	$ 2,700	$ 2,557
6865 Century Avenue, Mississauga, Ontario	April 10, 2024	15,300	14,823
135 Hunter Street East, Hamilton, Ontario	April 22, 2024	6,375	6,136
9200 Glenlyon Parkway, Burnaby, British Columbia	June 27, 2024	37,000	35,891
		$ 61,375	$ 59,407

[(1)] Net proceeds presented above represent the sale price less transaction costs incurred and excluding any repayment of the first mortgage on such property at the time of sale. The transaction costs incurred during the year ended December 31, 2024 of $1,969 were recorded to transaction costs on sale of investment properties in the consolidated statement of loss and comprehensive loss.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

All these properties were classified as investment properties held for sale as at December 31, 2023, except for 9200 Glenlyon Parkway which was classified under investment properties held for sale beginning the reporting period as at March 31, 2024. The asset and liabilities associated with the disposition of these properties have been derecognized.

The REIT completed the disposition of the following properties during the year ended December 31, 2023:

Property	Closing Date	Sale Price	Net Proceeds
400 Carlingview Drive, Toronto, Ontario	March 10, 2023	$ 7,250	$ 7,006
360 Laurier Avenue West, Ottawa, Ontario	July 10, 2023	17,500	17,080
32071 South Fraser Way, Abbotsford, British Columbia	July 31, 2023	24,000	23,288
		$ 48,750	$ 47,374

There were no acquisitions completed during the year ended December 31, 2024 or the year ended December 31, 2023.

4. Other assets

	2024	2023
Instalment notes receivable	$ 42	$ 81
Deposits	779	811
	$ 821	$ 892

5. Investment properties and investment properties held for sale

The following table summarizes the changes in investment properties and investment properties held for sale for the years ended December 31, 2024 and 2023:

	Investment properties	Investment properties held for sale	Total
Balance, December 31, 2022	$ 1,340,583	$ 84,250	$ 1,424,833
Additions	14,635	292	14,927
Dispositions (note 3)	—	(48,750)	(48,750)
Amortization of leasing costs, tenant inducements and straight-line rents	(5,707)	(336)	(6,043)
Fair value adjustment	(75,144)	(5,061)	(80,205)
Investment properties held for sale	(23,936)	23,936	—
Balance, December 31, 2023	1,250,431	54,331	1,304,762
Additions	23,328	6,514	29,842
Dispositions (note 3)	—	(61,375)	(61,375)
Amortization of leasing costs, tenant inducements and straight-line rents	(11,054)	(173)	(11,227)
Fair value adjustment	(34,141)	(9,067)	(43,208)
Investment properties held for sale	(68,859)	68,859	—
Balance, December 31, 2024	$ 1,159,705	$ 59,089	$ 1,218,794

(In thousands of Canadian dollars, except Unit and per Unit amounts)

The REIT determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and the direct capitalization method, both of which are generally accepted appraisal methodologies. The key valuation assumptions for the REIT's investment properties are set out in the following table:

	2024	2023
Terminal and direct capitalization rates - range	5.50% to 9.50%	5.50% to 9.50%
Terminal and direct capitalization rate - weighted average	6.71 %	6.68 %
Discount rates - range	6.25% to 9.75%	6.00% to 9.75%
Discount rate - weighted average	7.28 %	7.16 %

Investment properties are independently appraised at the time of acquisition. In addition, the REIT engages independent valuation firms to appraise its investment properties such that the majority of the portfolio is independently appraised at least once over a three year period. When an independent appraisal is obtained, the reasonableness of the assumptions are assessed and adjustments made to the internal valuations as required. During the year ended December 31, 2024 there were fourteen properties externally appraised representing a total fair value of $566,089 (December 31, 2023 – seventeen properties representing a total fair value of $516,640).

The fair value of the REIT's investment properties are sensitive to changes in key valuation assumptions. Changes in the terminal and direct capitalization rates and discount rates would result in changes to the fair value of the REIT's investment properties as set out in the following table:

	2024
Weighted average terminal, direct capitalization and discount rate:	
25-basis point increase	(56,222)
25-basis point decrease	32,029

6. Tenant and other receivables

	2024	2023
Tenant receivables	$ 3,739	$ 2,067
Other receivables	791	780
	$ 4,530	$ 2,847

7. Mortgage payable

As at December 31, 2024, the REIT had $739,838 (December 31, 2023 – $800,682) of mortgage principal balances outstanding. All interest rates are fixed for the term of the respective mortgage except for two (December 31, 2023 – three) of the REIT’s mortgages which have utilized interest rate swaps to fix their floating interest rates (note 11). The mortgages carry a weighted average fixed interest rate of 3.94% (December 31, 2023 – 3.90%) and a weighted average term to maturity of 2.16 years (December 31, 2023 – 3.01 years). The mortgages are secured by first and second charges on the respective properties.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

As at December 31, 2024, mortgages including mortgages payable associated with investment properties held for sale (note 5) are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Scheduled interest payments
2025	$ 15,086	$ 255,328	$ 270,414	$ 21,675
2026	13,403	170,944	184,347	19,313
2027	9,114	78,910	88,024	11,509
2028	6,458	90,583	97,041	6,378
2029	3,471	32,019	35,490	2,911
Thereafter	1,035	63,487	64,522	844
Face value	$ 48,567	$ 691,271	$ 739,838	$ 62,630
Unamortized mark to market mortgage adjustments			97	
Unamortized financing costs			(2,361)	
Total mortgage payable			$ 737,574	

The outstanding balance of mortgages payable associated with investment properties held for sale as at December 31, 2024 was $52,597 (December 31, 2023 - $42,372).

The following table provides a breakdown of the current and non-current portions of mortgages payable including mortgages payable associated with investment properties held for sale (note 5):

	2024	2023
Current:		
Mortgages payable	$ 270,414	$ 104,395
Unamortized mark to market mortgage adjustments	42	30
Unamortized financing cost	(1,049)	(1,411)
	269,407	103,014
Non-current:		
Mortgages payable	469,424	696,287
Unamortized mark to market mortgage adjustments	55	97
Unamortized financing cost	(1,312)	(2,005)
	468,167	694,379
	$ 737,574	$ 797,393

8. Class B LP Units

Class B LP Units have economic and voting rights equivalent, in all material respects, to Units and are indirectly exchangeable on a one-for-one basis for Units at the option of the Class B LP Unitholder.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

The following table summarizes the changes in Class B LP Units for the years ended December 31, 2024 and 2023:

	Class B LP Units	Amount
Outstanding, January 1, 2023	439,365	$ 14,628
Class B LP Units exchanged to Units	(18,478)	(262)
Fair value adjustment	—	(10,135)
Outstanding, December 31, 2023	420,887	4,231
Class B LP Units exchanged to Units	(2,173)	(19)
Fair value adjustment	—	214
Outstanding, December 31, 2024	418,714	$ 4,426

There has been no distributions on Class B LP Units during the year ended December 31, 2024, (December 31, 2023 - $739). Distributions on Class B LP Units have been recorded as an expense in the consolidated statements of loss and comprehensive loss.

9. Credit facility

On May 14, 2024, the REIT amended its $60,000 floating rate revolving credit facility ("Credit Facility") with a Canadian chartered bank to increase the maximum facility amount to $75,000, removed the $25,000 unsecured tranche and extended the facility to December 1, 2025. The Credit Facility continues to bear interest on cash advances at 95 basis points per annum above the prime rate or 195 basis points per annum over the Canadian Overnight Repo Rate Average ("CORRA"). Subsequent to December 31, 2024, the REIT amended the Credit Facility by modifying the pool of secured properties against such facility and extended the maturity date to December 1, 2026. All other terms remained the same (note 21).

As at December 31, 2024, the REIT had $30,170 of principal outstanding under the Credit Facility (December 31, 2023 - $23,600).

10. Accounts payable and accrued liabilities

	2024	2023
Accounts payable and accrued liabilities	$ 39,565	$ 34,347
Finance cost payable	2,703	1,999
Unit-based compensation liability (note 12(e))	616	300
	$ 42,884	$ 36,646

11. Derivative instruments

The REIT has entered into interest rate swaps to eliminate its interest rate exposure for certain floating rate mortgages. The interest rate swaps expire co-terminously upon the maturity of the corresponding mortgages.

The combined notional principal amount of the outstanding interest rate swap contracts as at December 31, 2024 was $69,822 (December 31, 2023 – $72,145). The fair value of the interest rate swaps were in an asset position of $1,015 as at December 31, 2024 (December 31, 2023 - $3,124), of which $376 has been presented within non-current assets and $639 within current assets based on the term of the underlying instrument. The unrealized loss related to the change in the fair value of the derivative instruments for the year ended December 31, 2024 was $2,108 (December 31, 2023 - $1,158).

12. Unitholders' equity

(a) Units:

The REIT is authorized to issue an unlimited number of Units and an unlimited number of special voting units. Each Unit confers the right to one vote at any meeting of unitholders and to participate *pro rata* in all distributions by the REIT and, in the event of termination or winding-up of the REIT, in the net assets of the REIT. The unitholders of the REIT have the right to require the REIT to redeem their Units on demand pursuant to the terms of the DOT. The Units have no par value.

Units are redeemable at any time, in whole or in part, on demand by the unitholders. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the unitholders shall be entitled to receive a price per Unit equal to the lesser of:

(i) 90% of the “market price” of the Units on the Exchange (as defined in the DOT) or market on which the Units are listed or quoted for trading during the ten consecutive trading days ending immediately prior to the date on which the Units were surrendered for redemption; and

(ii) 100% of the “closing market price” on the Exchange (as defined in the DOT) or market on which the Units are listed or quoted for trading on the redemption date.

The total amount payable by the REIT, in respect of any Units surrendered for redemption during any calendar month, shall not exceed $50 unless waived at the discretion of the Board and be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption. To the extent the Redemption Price (as defined in the DOT) payable in respect of Units surrendered for redemption exceeds $50 in any given month, such excess will be redeemed for cash, and by a distribution in specie of assets held by the REIT on a *pro rata* basis.

(b) Special voting Units:

The DOT and the Exchange Agreement provide for the issuance of the special voting Units which have no economic entitlement in the REIT or in the distribution or assets of the REIT, but are used to provide voting rights proportionate to the votes of the Units to holders of the Class B LP Units. Each special voting Unit is not transferable separately from the Class B LP Unit to which it is attached and is automatically redeemed and cancelled upon exchange of the Class B LP Unit into a Unit.

(c) Unit consolidation:

On November 24, 2023, the REIT executed a consolidation of its Units, special voting Units of the REIT and the Class B LP Units on the basis of 5.75:1.

(d) Unit-based compensation plan:

Incentive Unit Plan:

The Incentive Unit Plan issues two types of securities: (i) Deferred Units and (ii) Restricted Units.

Deferred Units

Deferred Units are granted to the Trustees as part of a trustee’s annual board retainer, including any chairman retainers, and vest immediately. Trustees are required to receive at least 50% of their annual retainer in the form of Deferred Units.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Restricted Units

The Trustees may, at their discretion, grant Restricted Units to certain Trustees, officers of the REIT and its subsidiaries and certain eligible service providers, subject to such restrictions including vesting requirements the Trustees may impose. The Trustees may not extend any vesting conditions beyond November 30 of the third calendar year following grant date.

(e) Units and Incentive Unit Plan outstanding:

The following tables summarize the changes in Deferred Units, Restricted Units and Units for the years ended December 31, 2024 and 2023:

	Number of Units			Amounts		
	Deferred Units	Restricted Units	Units	Deferred Units	Restricted Units	Units
Balance, December 31, 2022	8,213	16,217	15,967,482	$ 273	$ 331	$ 563,277
Issuance (repurchase) of Units:						
Units issued under DRIP (note 12(g))	—	—	46,847	—	—	1,591
Incentive Units granted and reinvested	13,014	17,404	—	170	393	—
Exchange of Class B LP Units into Units (note 8)	—	—	18,478	—	—	262
Incentive Units redeemed into Units	—	—	6,949	—	—	141
Units repurchased and cancelled under NCIB (note 12(h))	—	—	(363,112)	—	—	(3,281)
Issuance and repurchase costs	—	—	—	—	—	(97)
Redemption of Deferred Units	(626)	—	—	(22)	—	—
Redemption and expiry of Restricted Units	—	(15,134)	—	—	(301)	—
Fair value adjustments	—	—	—	(214)	(330)	—
Balance, December 31, 2023	20,601	18,487	15,676,644	$ 207	$ 93	$ 561,893
Issuance (repurchase) of Units:						
Incentive Units granted and reinvested	18,049	33,974	—	179	150	—
Exchange of Class B LP Units into Units (note 8)	—	—	2,173	—	—	19
Incentive Units redeemed into Units	—	—	4,009	—	—	35
Units repurchased and cancelled under NCIB (note 12(h))	—	—	(1,599,546)	—	—	(15,510)
Issuance and repurchase costs	—	—	—	—	—	(398)
Redemption and expiry of Restricted Units	—	(12,792)	—	—	(210)	—
Fair value adjustments	—	—	—	23	174	—
Balance, December 31, 2024	38,650	39,669	14,083,280	$ 409	$ 207	$ 546,039

During the year ended December 31, 2024 the REIT repurchased and cancelled 784,420 Units for cash of $7,220 through the 2023 normal course issuer bid ("2023 NCIB") and 815,126 Units for cash of $8,290 through the 2024 normal course issuer bid ("2024 NCIB"). For the year ended December 31, 2023 the REIT repurchased and cancelled 363,112 Units for cash of $3,281 through the 2023 NCIB (note 12(h)).

The REIT's Unit-based compensation expense recognized in general and administrative expense for the year ended December 31, 2024 was $397 including fair value remeasurement expense of $197 (December 31, 2023 - recovery of $8 including fair value remeasurement recovery of $571).

(f) Distributions:

Under the DOT, the total amount of income of the REIT to be distributed to unitholders for each calendar month is at the discretion of the Trustees, however, the total income distributed shall not be less than the amount necessary to ensure the REIT will not be liable to pay income tax for any year.

The REIT paid a monthly distribution of $0.2846 per Unit or $3.4155 per Unit on an annualized basis until March 14, 2023, when the REIT reduced its monthly cash dividend from $0.2846 per Unit to $0.1423 per Unit or $1.70775 per Unit on an annualized basis. The new declared distribution was paid on April 17, 2023 to unitholders of record on March 31, 2023. Effective December 15, 2023, the REIT redirected and reallocated substantially all distributions paid to Unitholders to purchase Units under the 2023 NCIB. For the year ended December 31, 2024, the REIT declared distributions of $nil (December 31, 2023 - $27,329) (note 21).

(g) Dividend reinvestment plan (“DRIP”):

On April 12, 2023, the REIT announced the suspension of the DRIP until further notice. As a result, unitholders received distributions in cash effective with the distribution paid on April 17, 2023 to unitholders of record on March 31, 2023. For the year ended December 31, 2024 the REIT did not issue any Units under the DRIP (December 31, 2023 - 46,847 Units under the DRIP for a value of $1,591).

(h) Normal course issuer bid ("NCIB"):

On April 17, 2024, the REIT renewed the 2024 NCIB, as approved by the TSX. Under the 2024 NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,334,889 of its Units, representing 10% of the REIT's public float of 13,348,894 Units as of April 4, 2024 through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The 2024 NCIB became effective April 18, 2024 and will remain in place until the earlier of (i) April 17, 2025 or (ii) the date on which the REIT has purchased the maximum number of Units permitted under the 2024 NCIB. Any Units acquired through the 2024 NCIB will be cancelled.

On April 18, 2023, the REIT established the 2023 NCIB, as approved by the TSX. Under the 2023 NCIB, the REIT has the ability to purchase for cancellation up to a maximum of 1,432,966 of its Units, representing 10% of the REIT's public float of 14,329,664 Units through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit equal to the market price at the time of acquisition. The 2023 NCIB was effective from April 18, 2023 until April 17, 2024. Any Units acquired through the 2023 NCIB have been cancelled.

During the year ended December 31, 2024, the REIT repurchased and cancelled 1,599,546 Units for $15,510 (December 31, 2023 - 363,112 Units for $3,281) under the 2023 NCIB and 2024 NCIB (note 21).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

13. Transactions with related parties

Starlight Group Properties Holdings Inc. ("Starlight") is considered a related party of the REIT as Starlight is controlled by the Chief Executive Officer and Chairman of the Board of the REIT, who is also a significant unitholder of the REIT. The REIT has engaged an affiliate of Starlight to perform certain services, as outlined below.

(a) Pursuant to an asset management agreement (the "Asset Management Agreement"), the affiliate of Starlight is to perform asset management services for a base annual management fee calculated and payable on a monthly basis in arrears on the first day of each month equal to 0.35% of the sum of: (i) the historical purchase price of the properties; and (ii) the cost of any capital expenditures incurred by the REIT or any of its affiliates in respect of the properties.

(b) Pursuant to the Asset Management Agreement, the affiliate of Starlight is entitled to receive an acquisition fee in respect of properties announced to be acquired, directly or indirectly, by the REIT as a result of such properties having been presented to the REIT by Starlight and calculated as follows:

(i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each fiscal year;

(ii) 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each fiscal year; and

(iii) 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each fiscal year.

(c) An annual incentive fee is payable by the REIT equal to 15% of the REIT's funds from operations ("FFO") per Unit in excess of FFO per Unit for fiscal 2013 plus 50% of the annual increase in the weighted average consumer price index (or other similar metric, as determined by the Trustees) of the jurisdictions in which the properties are located.

(d) Pursuant to the Asset Management Agreement, the affiliate of Starlight is entitled to a capital expenditure fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures.

(e) The REIT reimburses Starlight for all reasonable out-of-pocket expenses in connection with the performance of the services described in the Asset Management Agreement, including capital expenditures, or such other services which the REIT and Starlight agree in writing are to be provided from time to time.

The following table presents the expenses incurred for the years ended December 31, 2024 and 2023:

	2024	2023
Asset management fees	$ 4,524	$ 4,712
Other expenses	184	171

As at December 31, 2024, total asset management fees and other fees payable of $382 (December 31, 2023 – $414) is included in accounts payable and accrued liabilities. No incentive fees were earned and no acquisition fees or capital expenditure fees charged for the years ended December 31, 2024 and 2023.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

(f) Key management compensation:

Key management compensation consists of salaries, bonuses, other short-term benefits and Trustees compensation. Key management compensation for the year ended December 31, 2024 was $929 (December 31, 2023 - $1,142) which includes compensation paid by Starlight (pursuant to the Asset Management Agreement) to key REIT management personnel of $701 (December 31, 2023 - $701). Also included is $321 (December 31, 2023 - $403) of Deferred Units and Restricted Units granted to Trustees and officers of the REIT.

14. Revenue

The components of the REIT's revenue for the years ended December 31, 2024 and 2023 were as follows:

		2024		2023
Base rent	$	66,348	$	72,886
Property operating and realty tax recoveries		54,126		54,460
Parking and other		6,434		4,858
	$	126,908	$	132,204

Future minimum rental commitments on non-cancellable tenants operating leases are as follows:

		2024
Within one year(1)	$	76,266
Later than one year and not longer than five years(1)		215,760
Thereafter(1)		55,164
	$	347,190

(1) Excludes future rent associated with investment properties held for sale (note 5).

For the year ended December 31, 2024, the Federal Government of Canada provides 24% (December 31, 2023 - 24%) of the REIT's rental revenue.

15. Finance costs

The following table presents the financing costs incurred for the years ended December 31, 2024 and 2023:

		2024		2023
Interest on mortgages payable	$	29,949	$	31,320
Other interest expense and standby fees		1,865		1,501
Amortization of mortgage premiums		(31)		(34)
Amortization of financing costs		1,661		1,399
	$	33,444	$	34,186

(In thousands of Canadian dollars, except Unit and per Unit amounts)

16. Supplemental cash flow information

(a) Change in non-cash operating working capital

The change in non-cash operating working capital for the years ended December 31, 2024 and 2023:

	2024	2023
Other assets	$ 32	$ 164
Tenant and other receivables	(1,691)	2,739
Prepaid expense and deposits	361	178
Tenant rental deposits and prepayments	182	739
Accounts payable and accrued liabilities	2,505	(5,172)
	$ 1,389	$ (1,352)

(b) Cash and cash equivalents

A at December 31, 2024, cash and cash equivalents include $2,162 (December 31, 2023 - $2,060) of restricted cash held by lenders until certain conditions are met.

17. Commitments and contingencies

As at December 31, 2024, the REIT has entered into commitments for building renovations totaling $3,750 (December 31, 2023 – $2,537).

18. Segmented disclosure

All of the REIT's assets and liabilities are in, and its revenue is derived from, Canadian commercial real estate. The REIT's investment properties are, therefore, considered by management to have similar economic characteristics.

19. Capital management

The REIT defines its capital as the aggregate of unitholders' equity, Class B LP Units, mortgages payable and Credit Facility. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's primary objectives when managing capital are to maximize Unit value through the ongoing active management of the REIT's assets and the acquisition of additional properties, which are leased to creditworthy tenants.

The REIT's strategy is also driven by policies, as set out in the DOT, as well as requirements from certain lenders. The key financial covenants, as defined in the respective agreements, are monitored by the REIT on an ongoing basis to ensure compliance with the agreements.

The REIT is required to maintain certain financial covenants related to its Credit Facility and certain of its mortgages payable. Certain of the REIT's debt arrangement also contain customary non-financial covenants which include restricting the REIT from entering into subordinate debt, establishing additional liens against any secured properties or require in certain instances the consent of the lender to terminate material leases. Failure to comply with the covenants could result in a default, which, if not waived or cured, could result in adverse financial consequences. Under the Credit Facility, the REIT is required to maintain a minimum tangible net worth of $309,435 plus 75% of any future equity offerings of the REIT, maximum leverage of 65% and minimum debt service coverage ratio of 1.25x. Certain of the mortgages payable also require the REIT to maintain a minimum debt service coverage ratio. As at December 31, 2024 and 2023, the REIT was in compliance with all material financial covenants.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

The following table presents the REIT's capital at December 31, 2024 and 2023:

	2024	2023
Unitholders' equity	$ 415,997	$ 452,804
Class B LP Units	4,426	4,231
Credit Facility	30,170	23,600
Mortgage payable	737,574	797,393
	$ 1,188,167	$ 1,278,028

20. Risk management and fair values

(a) Risk management:

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Interest rate risk:

The REIT is subject to the risks associated with debt financing, including the risk of interest rates on floating-rate debt rising before long-term fixed rate debt is arranged and existing mortgages may not be able to be refinanced on terms similar to those currently in place.

The REIT’s objective of managing interest rate risk is to minimize the volatility of interest expense which impacts earnings.

As at December 31, 2024 and December 31, 2023, the REIT’s interest-bearing financial instruments were:

	Carrying value 2024	2023
Fixed-rate instruments:		
Mortgage payable	$ 739,838	$ 787,701
Variable-rate instruments:		
Mortgage payable	$ —	$ 12,981
Credit Facility	30,170	23,600

The REIT is exposed to interest rate risk on its floating-rate debt on two of its properties. For both of these debt instruments, the risk is mitigated by entering into interest rate swaps (note 11). The REIT is also exposed to interest rate risk on its Credit Facility which fluctuates based on prime or floating CORRA. An increase (decrease) of 100 basis points in interest rates at December 31, 2024 for the REIT’s variable-rate financial instruments would have minimal impact on net loss and comprehensive loss.

(In thousands of Canadian dollars, except Unit and per Unit amounts)

(ii) Credit risk:

Credit risk is the risk that: (a) one party to a financial instrument will cause a financial loss for the REIT by failing to discharge its obligations; and (b) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The REIT is exposed to credit risk on financial assets and its exposure is generally limited to the carrying amount on the consolidated statements of financial position. The REIT monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

The REIT mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness, obtaining security deposits, and geographically diversifying its portfolio. The REIT monitors outstanding receivables on a monthly basis to ensure a reasonable allowance is provided for all uncollectible amounts with the exception of the tenants for which a bad debt provision is recorded. The REIT reviewed all outstanding receivables and assessed the risk of uncollectability to be low.

An aging of billed tenant receivables, including past due but not impaired amounts is as follows:

	2024	2023
0 to 30 days	$ 893	$ 410
31 to 90 days	483	199
Over 90 days	807	265
Total	$ 2,183	$ 874

Subsequent to December 31, 2024 up to the date of issuance of these financial statements, the REIT has collected approximately $720 of amounts receivable as at December 31, 2024 plus an additional $570 of amounts that will be settled with other recoveries payable with such tenants. As a result, the receivables as at December 31, 2024 shown in the table above have been reduced to approximately $900 are related in certain instances to final billings on tenant recoveries which are typically settled in due course after the end of each calendar year.

(iii) Liquidity risk:

The REIT is subject to liquidity risk whereby it may not be able to refinance or pay its debt obligations when they become due.

The REIT’s debt obligations excluding Class B LP Units are due as follows:

	Total	2025	2026	2027	2028	2029	Thereafter
Mortgage payable[(1)] (note 7)	$ 739,838	$ 270,414	$ 184,347	$ 88,024	$ 97,041	$ 35,490	$ 64,522
Mortgage interest payable	62,630	21,675	19,313	11,509	6,378	2,911	844
Tenant rental deposits and prepayments	9,180	9,180	—	—	—	—	—
Credit Facility	30,170	30,170	—	—	—	—	—
Accounts payable and accrued liabilities (note 10)	42,884	42,884	—	—	—	—	—
	$ 884,702	$ 374,323	$ 203,660	$ 99,533	$ 103,419	$ 38,401	$ 65,366

[(1)] Includes mortgages payable associated with investment properties held for sale (note 5).

(In thousands of Canadian dollars, except Unit and per Unit amounts)

Management's strategy to managing liquidity risk is to ensure, to the extent possible, it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities. To mitigate the risk associated with the refinancing of maturing debt, the REIT staggers the maturity dates of its mortgage portfolio over a number of years. In addition, the REIT manages its overall liquidity risk by maintaining sufficient available credit facilities to fund its ongoing operational and capital commitments and future growth in its business.

(b) Fair values:

The fair values of the REIT's financial assets and liabilities, except as noted below, approximate their carrying values due to their short-term nature. The REIT uses various methods in estimating the fair values of its financial instruments and investment properties. The fair value hierarchy reflects the significance of inputs used in determining the 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 tables below present the fair value hierarchy of the REIT's non-current assets and liabilities:

2024	Level 1	Level 2	Level 3	Total
Assets:				
Investment properties	$ —	$ —	$ 1,159,705	$ 1,159,705
Investment properties held for sale	—	—	59,089	59,089
Derivative instruments	—	1,015	—	1,015
	$ —	$ 1,015	$ 1,218,794	$ 1,219,809
Liabilities:				
Mortgage payable[(1)]	$ —	$ 736,500	$ —	$ 736,500
Class B LP Units	4,426	—	—	4,426
	$ 4,426	$ 736,500	$ —	$ 740,926

(1) Includes mortgages payable associated with investment properties held for sale (note 5).

2023	Level 1	Level 2	Level 3	Total
Assets:				
Investment properties	$ —	$ —	$ 1,250,431	$ 1,250,431
Investment properties held for sale	—	—	54,331	54,331
Derivative instruments, net	—	3,124	—	3,124
	$ —	$ 3,124	$ 1,304,762	$ 1,307,886
Liabilities:				
Mortgage payable[(1)]	$ —	$ 770,700	$ —	$ 770,700
Class B LP Units	4,231	—	—	4,231
	$ 4,231	$ 770,700	$ —	$ 774,931

(1) Includes mortgages payable associated with investment properties held for sale (note 5).

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's assets and liabilities measured at fair value:

(i) Investment properties and investment properties held for sale:

The REIT determines the fair value of investment properties by developing a range of acceptable values based on the discounted cash flow method and the direct capitalization method, both of which are generally accepted appraisal methodologies. The key valuation assumptions of the REIT's investment properties are described in note 5.

(ii) Mortgages payable

The fair value of mortgages payable is estimated based on Level 2 inputs which take into account the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage. The estimated fair value of mortgages payable at December 31, 2024 was approximately $736,500 (December 31, 2023 – $770,700).

(iii) Class B LP Units:

Pursuant to IFRS 13, Fair Value Measurement, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use the closing market price of Units as a practical measure for fair value measurement of its Class B LP Units.

(iv) Derivative instruments:

Derivative instruments, such as interest rate swaps, are valued using a valuation technique with level 2 market-observable inputs. The valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

21. Subsequent events

Subsequent to December 31, 2024, the REIT successfully completed the refinancing of approximately $127,500 or approximately 50% of the 2025 maturities at a weighted average interest rate of approximately 4.80% and weighted average term of approximately 3.5 years.

On February 28, 2025, the REIT amended the Credit Facility by modifying the pool of secured properties against such facility and extended the maturity date to December 1, 2026. All other terms remained the same.

Subsequent to December 31, 2024, the REIT repurchased and cancelled an additional 83,500 Units for $791 under the 2024 NCIB at a weighted average price of $9.48 per Unit.

On March 18, 2025, the REIT announced the reinstatement of the monthly distribution to Unitholders, which will commence with a record date of March 31, 2025, payable on April 15, 2025, amounting to $0.0575 per Unit per month.