Consolidated financial statements of

SLATE RETAIL REIT

For the years ended December 31, 2015 and 2014

Slate Retail REIT
Consolidated financial statements

Table of contents

INDEPENDENT AUDITOR'S REPORT

To the unitholders of Slate Retail REIT,

We have audited the accompanying consolidated financial statements of Slate Retail REIT, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in unitholders' equity and consolidated statements of cash flows for the years then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 financial position of Slate Retail REIT as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 2, 2016

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of United States dollars, unless otherwise stated)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		$ 11,855	$ 13,174
Deposits on investment properties		—	500
Prepaids		1,869	2,065
Accounts receivable	*5*	7,466	4,539
		21,190	20,278
Non-current assets			
Investment properties	*6, 7*	978,526	622,295
Interest rate caps		—	2
Funds held in escrow		2,233	1,513
Other assets	*8, 9*	11,532	4,078
		992,291	627,888
Total assets		$ 1,013,481	$ 648,166
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*10*	$ 9,299	$ 5,337
Distributions payable		2,065	1,276
Debt	*11*	1,959	1,074
		13,323	7,687
Non-current liabilities			
Debt	*11*	575,321	364,464
TIF notes payable	*9*	3,743	4,022
Deferred income taxes	*16*	65,018	38,219
REIT units	*12*	305,926	185,499
Exchangeable units of subsidiaries	*12*	26,597	25,764
Other liabilities		1,756	1,179
		978,361	619,147
Unitholders' equity		$ 21,797	$ 21,332
Total liabilities and unitholders' equity		$ 1,013,481	$ 648,166

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

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands of United States dollars, unless otherwise stated)

	Note	Year ended December 31, 2015	2014 [1]
Rental revenue		**$ 79,780**	$ 41,443
Property operating expenses [2]		**(19,025)**	(9,715)
Net property income		**60,755**	31,728
Other income (expense)			
General and administrative	*13*	**(6,274)**	(3,770)
Change in fair value of investment properties [2]	*7*	**13,270**	39,682
Impairment of goodwill	*4*	**(8,870)**	(14,987)
Interest expense and other financing costs	*14*	**(14,541)**	(11,046)
Acquisition and combination costs	*6, 15*	**(1,187)**	(4,692)
Net income before and taxes and unit (expense) income		**$ 43,153**	$ 36,915
Deferred income tax expense	*16*	**(17,929)**	(17,475)
Unit (expense) income	*17*	**(24,759)**	6,115
Net income and comprehensive income		**$ 465**	$ 25,555
Attributed to unitholders		**$ 465**	$ 22,756
Attributed to non-controlling interests		**—**	2,799
		$ 465	$ 25,555

[1] The year ended December 31, 2014 relates to the full period earnings of Slate U.S. Opportunity (No.2) Realty Trust ("SUSO 2"), and the acquisition of Slate U.S. Opportunity (No. 1) Realty Trust ("SUSO 1") and the U.S. Grocery Anchored Retail (1A), (1B) and (1C) Limited Partnerships ("GAR") on April 15, 2014. Refer to note 4 "combination transaction".
[2] In accordance with IFRIC 21, *Levies* ("IFRIC 21"), the REIT recognizes the annual property tax liability and expense on its existing properties on January 1, rather than progressively, i.e. ratably, throughout the year. Refer to note 3 "Significant accounting policies".

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

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
(in thousands of United States dollars, unless otherwise stated)

		Retained earnings		Capital reserve		Non-controlling interest		Total
Balance, December 31, 2014	$	22,756	$	(1,424)	$	—	**$**	**21,332**
Net income and comprehensive income		465		—		—		**465**
Balance, December 31, 2015	**$**	**23,221**	**$**	**(1,424)**	**$**	**—**	**$**	**21,797**

		Retained earnings		Capital reserve		Non-controlling interest		Total
Balance, December 31, 2013	$	—	$	—	$	643	$	643
Net income and comprehensive income		22,756		—		2,799		25,555
Exchange of general partnership interest		—		(1,424)		(3,442)		(4,866)
Balance, December 31, 2014	$	22,756	$	(1,424)	$	—	$	21,332

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

SLATE RETAIL REIT
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of United States dollars, unless otherwise stated)

	Note	Year ended December 31, 2015	2014 [1]
OPERATING ACTIVITIES			
Net income		**$ 465**	$ 25,555
Items not affecting cash			
Deferred income tax expense	*16*	**17,929**	17,475
Straight-line rent	*7*	**(1,670)**	(705)
Change in fair value of investment properties	*7*	**(13,270)**	(39,682)
Impairment of goodwill	*4*	**8,870**	14,987
IFRIC 21 property tax adjustment	*7*	**(2,573)**	(2,376)
Interest expense and other financing costs	*14*	**14,541**	11,046
Cash interest paid		**(14,615)**	(7,789)
Unit (expense) income	*17*	**24,759**	(6,115)
Changes in non-cash working capital items	*23*	**(1,307)**	(2,587)
		33,129	9,809
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	*4, 6*	**(138,317)**	(158,114)
Disposition of investment property	*6*	**3,825**	—
Funds held in escrow		**766**	(841)
Capital costs	*7*	**(3,690)**	(1,306)
Leasing costs	*7*	**(682)**	(382)
		(138,098)	(160,643)
FINANCING ACTIVITIES			
Term loan advance	*11*	**—**	147,349
Revolver advances	*11*	**253,595**	44,005
Mortgage advances	*11*	**58,437**	271,462
Debt repayments	*11*	**(222,571)**	(343,211)
Normal course issuer bid	*12*	**(13,648)**	—
Issuance of REIT units	*12*	**47,640**	42,931
Redemption of REIT units	*12*	**(114)**	(332)
REIT units distributions, net of DRIP units issued	*12, 17*	**(17,795)**	(8,004)
Exchangeable units of subsidiaries distributions	*17*	**(1,894)**	(1,154)
		103,650	153,046
(Decrease) increase in cash		**$ (1,319)**	$ 2,212
Cash, beginning of the period		**13,174**	10,962
Cash, end of the period		**$ 11,855**	$ 13,174

[1] The year ended December 31, 2014 relates to the full period earnings of SUSO 2, and the acquisition of SUSO 1 and GAR on April 15, 2014. Refer to note 4 "Combination transaction".

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

1. Description of the REIT and operations

Slate Retail REIT (the "REIT") is an unincorporated, open-ended investment trust under and governed by the laws of the Province of Ontario. The REIT focuses on acquiring, owning and leasing a portfolio of diversified revenue-producing commercial real estate properties in the United States with an emphasis on grocery anchored retail properties. As of December 31, 2015, the REIT's properties (the "Properties") consisted of a portfolio of 66 grocery anchored retail commercial properties located in the United States.

The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbols SRT.U/SRT.UN. The principal, registered, and head office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

The objectives of the REIT are to:

i. provide unitholders with stable cash distributions from a portfolio of diversified revenue-producing commercial real estate properties in the United States with a focus on grocery anchored retail properties;

ii. enhance the value of the REIT's assets in order to maximize long-term unitholder value through active management; and

iii. expand the asset base of the REIT and increase the REIT's earnings on a per unit basis, including through accretive acquisitions.

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 2, 2016.

iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for investment properties and certain financial instruments which are measured at fair value.

The application of the going concern basis of presentation assumes that the REIT will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The REIT expects to continue as a going concern for the foreseeable future.

iv. Functional and presentation currency

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

3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with the significant accounting policies described below.

i. Basis of consolidation

The 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 on 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.

ii. 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 the 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 acquisition, investment properties are measured at fair value, which is 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 of investment properties are recognized in net income in the period in which they arise.

The carrying value of investment properties includes the impact of straight-line rent receivable, tenant inducements, direct leasing costs and adjustments related to the impact of IFRIC 21 adjustments.

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 improvements are referred to as tenant improvements and are capitalized. 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.

When an investment property is disposed of, the gain or loss is determined as the difference between the net disposal proceeds and the carrying amount of the property and is recognized in net income in the period of disposal as a change in the fair value of investment property.

iii. 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. Acquisition related costs are expensed as incurred.

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.

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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the identifiable net assets acquired. If the consideration is lower than the fair value of the net assets acquired, the difference is recognized in net income.

iv. Cash held in escrow

Cash held in escrow represents restricted cash held in reserve for capital improvements and holdbacks as required by mortgages and tenant leases.

v. 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. Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. All of the REIT's leases are considered operating leases.

vi. 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 the difference between the rental revenue recorded and the contractual amount received.

vii. Expenses

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

viii. Property tax liability and expense

IFRIC 21 provides guidance on when to recognize a liability for levies that are accounted for in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and those where the timing and amount of the levy are certain. Levies are outflows from an entity imposed by a government in accordance with legislation. The REIT has assessed property taxes as being within the scope of IFRIC 21, given that property taxes are non-reciprocal charges imposed by a government, in accordance with legislation, and are based on the assessed value of property. IFRIC 21 confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. The REIT has determined that the liability to pay property taxes on its properties should be recognized at a point in time, being the start of the fiscal year. This resulted in the REIT recognizing the annual property tax liability and expense on its properties annually at January 1.

ix. Other comprehensive income

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

x. Income taxes

Subsidiaries of the REIT, Slate Retail Investment L.P. ("Investment LP") and GAR (1B) Limited Partnership ("GAR B"), that hold the REIT's investments each made an election pursuant to the United States Internal Revenue Code of 1986, as amended, to be classified as corporations for U.S. federal income tax purposes. Consequently, Investment LP and GAR B are each considered a "foreign corporation" for U.S. federal income tax purposes. The REIT measures deferred tax liabilities of these subsidiaries by applying the appropriate tax rate to temporary differences between the carrying amounts of assets and liabilities and their respective tax basis. The appropriate tax rate is determined by reference to the rates that are expected to apply to the year and the jurisdiction in which the assets are expected to be realized or the liabilities settled. Deferred tax assets are recorded for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. For the determination of deferred tax assets and liabilities where investment property is measured using the fair value model, the presumption is that the carrying amount of an investment property is recovered through sale, as opposed to presuming that the economic benefits of the investment property will be substantially consumed through use over time. The REIT qualifies as a "mutual fund trust" under the Income Tax Act (Canada) and plans to distribute or designate all taxable earnings to unitholders and, under current legislation, the obligation to pay tax rests with each unitholder. Accordingly, no current or deferred tax provision is recognized on the REIT's income at the REIT level in addition to deferred tax amounts recorded in respect of Investment LP and GAR B on consolidation.

xi. Slate Retail exchangeable units and GAR B exchangeable units

Class B units of Slate Retail Two L.P. and Slate Retail One L.P. ("Slate Retail exchangeable units"), which are each subsidiaries of the REIT, are redeemable for cash or class U units of the REIT at the option of the REIT and therefore are classified as financial liabilities under IAS 32, *Financial Instruments: Presentation* ("IAS 32"). Exchangeable limited partnership units of GAR B ("GAR B exchangeable units) have also been issued from a subsidiary of the REIT and are redeemable for class U units at the option of the holder and therefore, are classified as financial liabilities under IAS 32.

Slate Retail exchangeable units and GAR B exchangeable units (collectively, the "exchangeable units of subsidiaries") are designated as fair value through profit and loss ("FVTPL") under IAS 39, *Financial Instruments: Recognition and Measurements* ("IAS 39"). Distributions paid on exchangeable units of subsidiaries are recorded as unit (expense) income in the period in which they become payable.

xii. REIT units

The REIT has class A units, class I units and class U units issued and outstanding (collectively, the "REIT units"). As an open-ended investment trust, unitholders of each class of units of the REIT are able to require the REIT to redeem at any time or from time to time at the demand of the unitholder all or any part of the REIT units held by the unitholder in an amount equal to redemption price, as specified by the REIT's Declaration of Trust. This redemption is to be provided in cash, subject to certain limitations. If a redemption is not satisfied in cash, the redemption price is to be paid by notes of the REIT or property of the REIT. Accordingly, as (i) the units of the REIT contain a contractual agreement to deliver cash or another financial liability to the unitholders of the REIT and (ii) each class of units do not have identical features, the REIT units have been classified as a liability and measured at fair value and distributions to unitholders are recorded as unit (expense) income and recognized when declared by the Board of Trustees. REIT units are presented as a separate component in the statement of financial position. Equity offering costs are deducted against the cost of units issued.

xiii. 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 has made the following classifications:

Financial instrument	Classification
Financial assets	
Cash	Loans and receivables
Deposits on investment properties	Loans and receivables
Accounts receivable	Loans and receivables
Interest rate caps	FVTPL
TIF notes receivable	Loans and receivables
Funds held in escrow	Loans and receivables
Financial liabilities	
Accounts payable and accrued liabilities	Other financial liabilities
Distributions payable	Other financial liabilities
Debt	Other financial liabilities
TIF notes payable	Other financial liabilities
Other non-current liabilities	Other financial liabilities
REIT units	FVTPL
Exchangeable units of subsidiaries	FVTPL

All financial assets and 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. These costs include amortization of discounts or premiums on 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 unit (expense) income. 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.

xiv. 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.

Where noted, the carrying value of the REIT's 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 exchangeable units of subsidiaries are measured at fair value based on the market trading price of REIT units consistent with Level 1. Interest rate caps 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.

xv. 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 recorded within the other liabilities account balance, and measured at fair value. Initial recognition of the deferred units is recorded as a general and administrative expense. Subsequent changes in the fair value of deferred units are recorded in net income as unit (expense) income.

xvi. Finance costs

Finance costs comprise interest expense on borrowings, gains or losses on interest rate caps, 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.

xvii. 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.

Lease contracts

The REIT has entered into property leases on its investment property portfolio. The REIT makes judgments in determining whether certain leases, in particular those leases with long contractual terms, are operating or finance leases.

Classification of REIT units and exchangeable units of subsidiaries

In determining whether REIT units should be classified as liabilities or equity, management has assessed whether REIT units contain a contractual agreement to deliver cash or another financial asset to another entity, whether the units are puttable, and whether the criteria in IAS 32 that permit classification of a puttable instrument as equity have been satisfied.

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:

(a) 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.

(b) 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. At December 31, 2015, all valuations were completed by management of the REIT using the overall income capitalization method.

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.

xviii. Future accounting policies

The IASB has issued the following new standards that will be relevant to the REIT in preparing its consolidated financial statements in future periods:

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 REIT is assessing the impact of this amendment on its consolidated financial statements.

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 REIT is assessing the impact of this new standard on its consolidated financial statements.

(in thousands of United States dollars, unless otherwise stated)

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 standard 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 REIT is currently assessing the impact of the new standard on its consolidated financial statements.

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.

4. Combination transactions

SUSO 3 transaction

On June 1, 2015, the REIT completed a unitholder approved transaction to acquire the net assets of Slate U.S. Opportunity (No. 3) Realty Trust (“SUSO 3”) (the “SUSO 3 transaction”), including 127,100 class U units of the REIT owned by SUSO 3. Consideration provided by the REIT for the acquisition of the net assets of SUSO 3 included the issuance of (i) 7,760,798 class U units of the REIT to the SUSO 3 unitholders, and (ii) 225,251 Slate Retail exchangeable units to the holders of the general partner interests in SUSO 3. After cancellation of the 127,100 class U units of the REIT owned by SUSO 3 and assumed by the REIT on acquisition, the REIT issued an additional net new 7,633,698 class U units of the REIT related to the SUSO 3 transaction.

The identifiable net assets acquired are as follows:

	SUSO 3 transaction
Cash	$ 1,330
Prepaids	142
Accounts receivable	1,501
Investment properties	195,977
127,100 REIT units	1,344
Funds held in escrow	1,486
Goodwill	8,870
Accounts payable and accrued liabilities	(2,610)
Tenant deposits	(227)
Debt	(114,498)
Deferred income taxes	(8,870)
Net assets acquired	**$ 84,445**

The purchase price was satisfied as follows:

7,760,798 REIT units	$ 82,063
225,251 Slate Retail exchangeable units	2,382
Total	**$ 84,445**

(in thousands of United States dollars, unless otherwise stated)

The allocation of the fair value of consideration exchanged for the net assets acquired gave rise to goodwill of $8.9 million. The goodwill arises primarily from the difference between how deferred tax is calculated for accounting purposes and the value ascribed to it in negotiations. The former is based on the difference between the values of the assets and liabilities concerned for accounting purposes and those applying for taxation. The latter is based on tax payments likely to be made on the sale of the investment properties. In management's opinion, the carrying amount of this goodwill cannot be justified by reference to future cash flows and the ongoing business plan to operate and own the properties in the foreseeable future. As a result, it has been determined that the goodwill has been impaired and an impairment charge has been recognized in the consolidated financial statements.

The REIT's consolidated statement of net income for the year ended December 31, 2015 includes $11.3 million of revenue and $8.1 million of net income (before change in fair value of investment properties, unit (expense) income and income taxes) from the properties acquired in the SUSO 3 transaction. Assuming the SUSO 3 transaction was completed on January 1, 2015, the REIT estimates that consolidated revenues and net income (before change in fair value of investment properties, unit (expense) income and income taxes) for the year ended December 31, 2015 would have been approximately $87.3 million and $30.1 million, respectively.

Combination transaction

On April 15, 2014, the REIT completed the unitholder approved combination transaction (the "combination transaction"). Pursuant to the combination transaction:

i. The REIT acquired all of the assets of SUSO 2 in consideration for class U units;

ii. The REIT effectively acquired, directly and indirectly, all of the assets of GAR in consideration for class U units or securities that are economically equivalent to class U units, subject to certain adjustments, and redeemable for cash or class U units; and

iii. The class U units were listed on the Toronto Stock Exchange on April 22, 2014 (TSX: SRT.U / SRT.UN).

SUSO 2 has been identified as the acquirer for accounting purposes as the unitholders of SUSO 2 collectively held a controlling interest in the REIT immediately following the completion of the combination transaction. These consolidated financial statements have been issued under the name of the REIT, the legal acquirer, but reflect a continuation of the business of the accounting acquirer, SUSO 2.

The identifiable net assets of SUSO 1 and GAR acquired by the REIT is as follows:

	Combination Transaction
Cash	$ 6,423
Prepaids	702
Accounts receivable	3,195
Investment properties	219,928
Funds held in escrow	672
Interest rate caps	2
Goodwill	14,987
Accounts payable and accrued liabilities	(5,060)
Tenant deposits	(391)
Assumed debt, including mark-to market adjustment	(121,836)
Deferred income taxes	(14,987)
Net assets acquired	**$ 103,635**

The purchase price was satisfied as follows:

REIT units	$ 78,044
Slate Retail exchangeable units	18,315
GAR B exchangeable units	7,276
Total	**$ 103,635**

The allocation of the fair value of consideration exchanged to the net assets acquired gave rise to goodwill of $14.9 million. The goodwill arose for reasons similar to the SUSO 3 transaction and as a result, it has been determined that the goodwill has been impaired and an impairment charge has been recognized in the consolidated financial statements.

(in thousands of United States dollars, unless otherwise stated)

5. Accounts receivable

The accounts receivable balance is comprised of the following:

		December 31, 2015		December 31, 2014
Rent receivable	**$**	**2,529**	$	891
Allowance		**(206)**		(168)
Accrued recovery income		**4,249**		3,317
Other receivables		**894**		499
Accounts receivable	**$**	**7,466**	$	4,539

Rent receivable consists of base rent and operating expense recoveries. Accrued recovery income represents amounts that have not been billed to the tenants and are generally billed and paid subsequent to the year in which they were incurred. Other receivables represent non-operating amounts.

The change in allowance for doubtful accounts is as follows:

		Year ended December 31,		
		2015		2014
Beginning of the period	**$**	**168**	$	16
Allowance		**177**		224
Bad debt write-off		**(139)**		(72)
End of the period	**$**	**206**	$	168

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

The aging analysis of rents receivable past due but not impaired, net of allowance for doubtful accounts, is as follows:

		December 31, 2015		December 31, 2014
Current to 30 days	**$**	**1,198**	$	409
31 to 60 days		**209**		77
Greater than 60 days		**916**		237
Total	**$**	**2,323**	$	723

(in thousands of United States dollars, unless otherwise stated)

6. Acquisitions and dispositions

Acquisitions

The REIT acquired 12 investment properties, in addition to those acquired as part of the SUSO 3 transaction, during the year ended December 31, 2015. The operational results of these properties have been included in these consolidated financial statements from the respective dates of acquisition.

Investment property	Purchase date	Location		Purchase price
Glidden Crossing	January 12, 2015	DeKalb, Illinois	$	16,565
Ocean Plaza	January 23, 2015	North Myrtle Beach, South Carolina		5,500
City Centre Plaza	April 6, 2015	Westland, Michigan		12,800
Plaza St. Clair	June 8, 2015	Fairview Heights, Illinois		7,200
Hocking Valley Mall	June 23, 2015	Lancaster, Ohio		8,735
Barefoot Commons	July 9, 2015	North Myrtle Beach, South Carolina		14,900
Roxborough Marketplace	July 9, 2015	Littleton, Colorado		15,618
Shoppes at Birmingham	July 31, 2015	Milton, Georgia		10,075
Shoppes at Locust Grove	July 31, 2015	Locust Grove, Georgia		9,425
Meres Town Centre	August 28, 2015	Tarpon Springs, Florida		7,600
Little River Pavilion	November 24, 2015	Little River, South Carolina		10,100
North Branch Marketplace	December 17, 2015	North Branch, Minnesota		20,900
Total			**$**	**139,418**

Net assets acquired in respect of the 12 acquisitions identified above are as follows:

Purchase price	$	139,418
Transaction costs		2,776
Investment properties		142,194
Working capital items		(1,547)
Total	**$**	**140,647**

Consideration for the acquisitions of $140.6 million was funded by borrowings from the REIT's revolving credit facility (the "revolver") and proceeds from the disposition of the Fuquay outparcel discussed below. Property acquisition costs for the year ended December 31, 2015 were $3.2 million. Acquisitions, other than the above listed Glidden Crossing and Ocean Plaza, have been determined to be asset acquisitions and accordingly, transaction costs for such acquisitions have been capitalized to the respective properties.

(in thousands of United States dollars, unless otherwise stated)

The REIT acquired 13 investment properties, in addition to those acquired as part of the combination transaction, during the year ended December 31, 2014. The operational results of these properties have been included in these consolidated financial statements from the respective dates of acquisition.

Investment property	**Purchase date**	**Location**		**Purchase Price**
Oak Hill Village	January 7, 2014	Jacksonville, FL	$	6,850
North Summit Square	July 24, 2014	Winston-Salem, NC		15,800
East Little Creek	August 25, 2014	Norfolk, VA		9,850
Waterbury Plaza	August 28, 2014	Waterbury, CT		27,150
Wellington Park	September 10, 2014	Cary, NC		15,470
Seminole Oaks	October 10, 2014	Seminole, FL		11,350
Smithfield Shopping Plaza	October 21, 2014	Smithfield, VA		12,319
Forest Plaza	October 23, 2014	Fond du Lac, WI		16,850
Stonefield Square	October 29, 2014	Louisville,, KY		12,462
Oakland Commons	November 5, 2014	Bloomington, IL		8,192
Westminster Plaza	November 14, 2014	Westminster, CO		12,670
Derry Meadows	November 20, 2014	Derry, NH		26,588
Stadium Centre	December 4, 2014	Port Huron, MI		5,315
Total			$	180,866

Net assets acquired in respect of the 13 acquisitions identified above are as follows:

Purchase price	$	180,866
Transaction costs		—
Investment properties		180,866
Working capital items		(16,289)
Total	$	164,577

Consideration for the acquisitions of $164.6 million was funded with $149.4 million of borrowings from the REIT's term loan and revolver and $15.2 million cash.

Dispositions

On August 5, 2015, the REIT completed the sale of an outparcel at Fuquay Crossing located in Raleigh, North Carolina for $3.8 million.

No dispositions were made by the REIT for the year ended December 31, 2014.

(in thousands of United States dollars, unless otherwise stated)

7. Investment properties

As at December 31, 2015, the REIT owns 66 income-producing properties.

The change in investment properties for the year is as follows:

	Note		Year ended December 31, 2015		2014
Beginning of the period		$	**622,295**	$	177,050
Acquisitions	*6*		**142,194**		180,866
Combination transactions	*4*		**195,977**		219,928
Tenant improvements and leasing commissions			**2,712**		579
Capital costs funded by vendor			**135**		—
Landlord work / maintenance capital			**1,444**		1,109
Development / expansion capital			**81**		—
Straight-line rent receivable			**1,670**		705
Dispositions			**(3,825)**		—
IFRIC 21 property tax adjustment			**2,573**		2,376
Change in fair value			**13,270**		39,682
End of the period		$	**978,526**	$	622,295

Valuation assumptions used to estimate the fair value of the REIT's investment properties are as follows:

		Year ended December 31, 2015		2014
Capitalization rate range		**6.00% – 9.00%**		6.50% – 8.38%
Weighted average capitalization rate		**7.12%**		7.20%
Impact on fair value of investment property due to 25 basis point change in capitalization rates	$	**34,440**	$	21,800
Impact on fair value of investment property due to $100,000 change in underlying annual stabilized income	$	**1,405**	$	1,400

Under the fair value hierarchy, the fair value of the REIT's investment properties is determined using the overall income capitalization method and using Level 3 inputs.

8. Other assets

Other assets comprise of the following:

	Note		December 31, 2015		December 31, 2014
Tax incremental financing receivable	*9*	$	**3,882**	$	4,078
Notes receivable	*22*		**7,650**		—
Total		$	**11,532**	$	4,078

9. Tax incremental financing

On March 6, 2014, the REIT acquired tax financing ("TIF") incremental revenue notes issued by the City of St. Paul and by the City of Brainerd (the "TIF notes receivable") in Minnesota, related to the REIT's Phalen Retail Centre and East Brainerd Mall properties, respectively. The TIF notes obligates each municipality to pay certain tax increments resulting from increases, if any, from a reference amount in the taxable valuation of the respective property to the REIT.

(in thousands of United States dollars, unless otherwise stated)

TIF receivable held by the REIT for the year ended is as follows:

TIF notes receivable	Maturity date	Interest rate	**December 31, 2015**	December 31, 2014
Phalen Retail Center	February 1, 2029	6.0%	**$ 2,386**	$ 2,504
East Brainerd Mall	February 1, 2029	8.0%	**1,496**	1,574
			$ 3,882	$ 4,078

The TIF notes receivable was acquired for $4.2 million, which was $1.3 million lower than the estimated fair value on acquisition. The difference between the acquisition price and fair value is recognized in income on a straight-line basis over the term of the maturity of the TIF notes receivable.

On March 6, 2014, the REIT entered into two separate tax increment financing agreements with a third party. The TIF payable held by the REIT for the year ended is as follows:

TIF notes payable	Maturity date	Interest rate	**December 31, 2015**	December 31, 2014
Phalen Retail Center	February 28, 2019	5.25%	**$ 2,274**	$ 2,450
East Brainerd Mall	February 28, 2019	5.25%	**1,469**	1,572
			$ 3,743	$ 4,022

Transaction costs related to the TIF notes payable are amortized over the term to initial maturity based on the effective interest rate method.

10. Accounts payable and accrued liabilities

The accounts payable and accrued liabilities balance is comprised of the following:

	December 31, 2015	December 31, 2014
Trade payables and accrued liabilities	**$ 5,890**	$ 3,214
Prepaid rent	**2,588**	1,630
Tenant improvement payable	**118**	8
Other payables	**703**	485
Total	**$ 9,299**	$ 5,337

Included in trade payables and accrued liabilities are liabilities related to operating expenses, property taxes, and capital and leasing expenses. Other payables include trustee fees, interest expense and other non-operating items.

11. Debt

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

	Maturity	**Remaining extension options**	**Coupon (1)**	**Properties provided as security**	**Fair value of security**	**Maximum available**	**Principal**	**Available to be drawn (3)**
Term loan	Dec. 19, 2018	One 1-year	L+225 bps	Note 2	Note 2	$ 225,000	$ 225,000	$ —
Revolver	Dec. 19, 2017	Two 1-year	L+225 bps	Note 2	Note 2	225,000	199,102	25,898
Mortgage	Mar. 1, 2021	None	5.75%	1	28,667	13,822	13,822	—
Mortgage	Apr. 30, 2021	None	5.80%	5	54,576	27,119	27,119	—
Mortgage	Jan. 1, 2025	None	3.80%	3	88,777	50,000	50,000	—
Mortgage	Jun. 15, 2025	None	4.14%	6	100,045	59,500	58,994	—
Mortgage	Apr. 1, 2031	None	5.25%	1	7,760	3,444	3,444	—
Total						**$ 603,885**	**$ 577,481**	**$ 25,898**

(in thousands of United States dollars, unless otherwise stated)

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

	Maturity	Remaining extension options	Coupon [1]	Properties provided as security	Fair value of security	Maximum available	Principal	Available to be drawn [3]
Term loan	Dec. 19, 2018	One 1-year	L+225 bps	Note 2	Note 2	$ 225,000	$ 225,000	$ —
Revolver	Dec. 19, 2017	Two 1-year	L+225 bps	Note 2	Note 2	225,000	44,005	180,995
Second mortgage	May. 1, 2016	None	6.00%	1	7,870	200	200	—
Mortgage	Mar. 1, 2021	None	5.75%	1	24,400	14,120	14,120	—
Mortgage	Apr. 30, 2021	None	5.80%	5	56,764	27,545	27,545	—
Mortgage	Jan. 1, 2025	None	3.80%	3	85,137	50,000	50,000	—
Mortgage	Apr. 1, 2031	None	5.25%	1	7,870	3,587	3,587	—
Total						$ 545,452	$ 364,457	$ 180,995

(1) "L" means the one-month U.S. London Interbank Offering Rate ("LIBOR") and "bps" means basis points.
(2) The term loan and revolver are secured by a general pledge of equity of certain subsidiaries of the REIT.
(3) Debt available to be drawn is subject to certain covenants in addition to the debt to gross book value limit of 60% provided for by the REIT's Declaration of Trust.

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

	Effective rate [1]	Principal	Mark-to-market ("MTM") adjustments and costs	Amortization of MTM adjustments and costs [2]	Carrying amount	Current	Non-current
Term loan	2.44%	$ 225,000	$ (2,554)	$ 662	$ 223,108	$ —	$ 223,108
Revolver	2.20%	199,102	(352)	70	198,820	—	198,820
Mortgage	5.75%	13,822	2,014	(352)	15,484	317	15,167
Mortgage	5.80%	27,119	2,780	(677)	29,222	448	28,774
Mortgage	3.80%	50,000	(969)	100	49,131	—	49,131
Mortgage	4.14%	58,994	(1,079)	64	57,979	1,044	56,935
Mortgage	5.25%	3,444	101	(9)	3,536	150	3,386
Total		**$ 577,481**	**$ (59)**	**$ (142)**	**$ 577,280**	**$ 1,959**	**$ 575,321**

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

	Effective rate [1]	Principal	MTM adjustments and costs	Amortization of MTM adjustments and costs [2]	Carrying amount	Current	Non-current
Term loan	2.66%	$ 225,000	$ (2,554)	$ 24	$ 222,470	$ —	$ 222,470
Revolver	2.66%	44,005	—	—	44,005	—	44,005
Second mortgage	6.00%	200	16	(7)	209	209	—
Mortgage	5.75%	14,120	2,014	(28)	16,106	298	15,808
Mortgage	5.80%	27,545	2,780	(281)	30,044	425	29,619
Mortgage	3.80%	50,000	(984)	4	49,020	—	49,020
Mortgage	5.25%	3,587	$ 101	$ (4)	3,684	142	3,542
Total		**$ 364,457**	**$ 1,373**	**$ (292)**	**$ 365,538**	**$ 1,074**	**$ 364,464**

(1) The effective interest rate for term loan and revolver includes the impact of unamortized financing costs not yet recorded in interest expense under the effective interest method. Both the term loan and revolver have used 1-month LIBOR of 25 bps.
(2) Excludes the impact of any available extension options not yet exercised.

12. REIT units and exchangeable units of subsidiaries

As at December 31, 2015 the REIT has the following units, represented in thousands of units:

	Class U	Class A	Class I
Authorized for issue	Unlimited	Unlimited	Unlimited
Issued and outstanding	28,511	390	358

As discussed in notes 3(xi) and (xii), each class of the REIT's units and each class of the exchangeable units issued by the REITs subsidiaries are presented as financial liabilities in accordance with IAS 32.

Each REIT unit confers the right to one vote at any meetings of REIT unitholders. The REIT is also authorized to issue an unlimited number of special voting units. Special voting units are only issued in tandem with the issuance of securities redeemable for or exchangeable into REIT units. The special voting units do not have any economic entitlement in the REIT with respect to distributions but provide the holder with the same voting rights in the REIT as a holder of REIT units. Special voting units may only be issued in connection with or in relation to redeemable or exchangeable securities for the purpose of providing voting rights with respect to the REIT to the holders of such securities. The GAR B exchangeable units are accompanied by an equivalent number of special voting units.

Each REIT unit entitles the holder to the same rights and obligations as a REIT unitholder and no REIT unitholder is entitled to any privilege, priority or preference in relation to any other holder of REIT units, subject to the proportionate entitlement of the holders of class A units, class I units and class U units of the REIT to participate in distributions made by the REIT including distributions of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities, based on their respective conversion ratios for class U units. REIT units will be fully paid and non-assessable when issued and are transferable.

The REIT's Declaration of Trust grants holders of class A units and class I units of the REIT the right to convert all or any portion of their class A units and class I units of the REIT, at any time (the “conversion date”), into class U units by giving written notice to the REIT. On the applicable conversion date the REIT will deliver to the class A unitholder or class I unitholder the applicable number of class U units for each class A unit or class I unit converted by such unitholder.

With certain restrictions, the unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit as determined by a market formula and shall be paid in accordance with the conditions provided for in the Declaration of Trust.

The REIT made available a Distribution Reinvestment Plan ("DRIP") that allows holders of class A units, class I units and class U units to elect to receive their distributions in the form of class U units with an additional distribution of class U units equal to 3% of the distribution. The REIT may issue up to 0.62 million class U units under the DRIP. The REIT may increase the number of class U units available to be issued under the DRIP at any time at its discretion subject to: (i) the approval of the Board of Trustees, (ii) the approval of any stock exchange upon which the trust units trade, and (iii) public disclosure of such an increase.

Exchangeable units of subsidiaries

Exchangeable units of subsidiaries are redeemable for cash or class U units of the REIT at the option of the REIT. Distributions paid on exchangeable units of subsidiaries are recorded as unit (expense) income in the period in which they become payable.

Equity offering

On March 19, 2015, the REIT completed a public offering of 4.1 million class U units at a price of $10.47 (C$13.00) per unit for gross proceeds to the REIT of approximately $42.2 million (C$53.6 million). A private placement of 0.8 million class U units for $7.9 million (C $10.0 million) was also completed, resulting in a total of 4.9 million class U units for gross proceeds of $50.1 million (C$63.6 million). The costs related to the offering totaled $2.6 million and were deducted against the cost of units issued.

Normal course issuer bid

The REIT has certified a normal course issuer bid (“NCIB”) which commenced on May 26, 2015. The NCIB will remain in effect until the earlier of May 26, 2016 or the date on which the REIT has purchased an aggregate 2.6 million class U units (amended on September 30, 2015 from the previous maximum number of 1.1 million class U units permitted under the NCIB), representing 10% of the REIT's public float of 25.9 million class U units at the time of entering the bid through the facilities of the TSX.

For the year ended December 31, 2015, 1.3 million class U units have been purchased and subsequently canceled under the NCIB for a total cost, including transaction costs, of $13.6 million at an average price of $10.72.

REIT units and exchangeable units of subsidiaries outstanding during the period and their respective class U equivalent amounts if converted is as follows, represented in thousands of units:

	REIT units			Exchangeable units of subsidiaries			
Class / Type	**U**	**A**	**I**	**SR1 (1)**	**SR2 (1)**	**GAR B**	**Total class U units equivalent**
Balance, December 31, 2014	16,875	528	358	—	1,880	590	**20,255**
Issued for SUSO 3 transaction	7,761	—	—	220	6	—	**7,987**
Issued under the DRIP	104	—	—	—	—	—	**104**
Issued under equity offering	4,894	—	—	—	—	—	**4,894**
Redeemed	(127)	—	—	—	(11)	—	**(138)**
Repurchased under NCIB	(1,273)	—	—	—	—	—	**(1,273)**
Exchanges	277	(138)	—	—	(96)	(43)	—
Balance, December 31, 2015	28,511	390	358	220	1,779	547	**31,829**
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	
Class U units equivalent	**28,511**	**394**	**378**	**220**	**1,779**	**547**	**31,829**

	REIT units			Exchangeable units of subsidiaries			
Class / Type	**U**	**A**	**I**	**SR1 (1)**	**SR2 (1)**	**GAR B**	**Total class U units equivalent**
Balance, December 31, 2013	1,298	3,702	703	—	—	—	5,771
Issued for combination transaction	7,759	—	—	—	1,880	590	10,229
Issued under the DRIP	20	—	—	—	—	—	20
Issued under equity offering	4,260	—	—	—	—	—	4,260
Redeemed	(25)	—	—	—	—	—	(25)
Exchanges	3,563	(3,174)	(345)	—	—	—	—
Balance, December 31, 2014	16,875	528	358	—	1,880	590	20,255
Conversion ratio to class U units	1.0000	1.0078	1.0554	1.0000	1.0000	1.0000	—
Class U units equivalent	16,875	532	378	—	1,880	590	20,255

(1) "SR1" and "SR2" mean Slate Retail One exchangeable units and Slate Retail Two exchangeable units respectively.

(in thousands of United States dollars, unless otherwise stated)

The change in the carrying amount of REIT units and exchangeable units of subsidiaries is as follows:

	REIT units	Exchangeable units of subsidiaries	Total
Balance, December 31, 2014	$ 185,499	$ 25,764	**$ 211,263**
Issued for SUSO 3 transaction	82,063	2,382	**84,445**
Issued under the DRIP	1,047	—	**1,047**
Issued under equity offering	47,640	—	**47,640**
Redeemed	(1,344)	(114)	**(1,458)**
Repurchased under NCIB	(13,648)	—	**(13,648)**
Exchanges	1,492	(1,492)	**—**
Change in fair value	3,177	57	**3,234**
Balance, December 31, 2015	**$ 305,926**	**$ 26,597**	**$ 332,523**

	REIT units	Exchangeable units of subsidiaries	Total
Balance, December 31, 2013	$ 75,944	$ —	$ 75,944
Issued for combination transaction	75,545	30,457	106,002
Issued under the DRIP	204	—	204
Issued under equity offering	44,718	—	44,718
Redeemed	(332)	—	(332)
Change in fair value	(10,580)	(4,693)	(15,273)
Balance, December 31, 2014	$ 185,499	$ 25,764	$ 211,263

For the year ended December 31, 2015, the REIT declared distributions of $19.6 million (December 31, 2014 – $7.9 million) on REIT units and $1.9 million (December 31, 2014 – $1.3 million) on exchangeable units of subsidiaries which were recorded as unit expense.

Trustees of the REIT, who are not also members of management may elect to receive their compensation fees in the form of deferred units. The Deferred Unit Plan reinvests the distributions accruing to the deferred units over the holding period. Deferred units vest on grant.

13. General and administrative

General and administrative expense is comprised of:

	Note	Year ended December 31, 2015	2014
Asset management and incentive fees	*22*	**$ 3,493**	$ 1,660
Professional fees and other		**2,781**	2,110
Total		**$ 6,274**	$ 3,770

(in thousands of United States dollars, unless otherwise stated)

14. Interest expense and other financing costs

Interest expense and other financing costs is comprised of:

	Note	Year ended December 31, 2015	2014
Interest income on investments		**$ (133)**	$ (9)
Interest on debt	*11*	**14,615**	7,789
Amortization of finance charges	*11*	**889**	3,577
Amortization of mark-to-market premium	*11*	**(756)**	(320)
Interest income on TIF notes receivable		**(233)**	(213)
Interest expense on TIF notes payable		**245**	211
Deferred gain on TIF notes receivable		**(88)**	(73)
Change in fair value of interest rate caps		**2**	84
Total		**$ 14,541**	$ 11,046

15. Acquisition and combination costs

Acquisition and combination costs is comprised of:

	Year ended December 31, 2015	2014
REIT startup	**$ —**	$ 1,665
Property acquisition	**424**	3,027
SUSO 3 transaction	**763**	—
Total	**$ 1,187**	$ 4,692

16. Income taxes

The REIT qualifies as a mutual fund trust for Canadian income tax purposes. The REIT intends to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for Canadian income tax purposes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in Investment LP.

Investment LP and GAR B made an election to be classified as a corporation for U.S. federal tax purposes. Investment LP is subject to U.S. federal and state income taxation on its allocable shares in Slate Retail One Limited Partnership, a subsidiary of the REIT, and any subsidiary limited partnership thereof.

The REIT is therefore subject to U.S. federal income taxation on its allocable share of rental income derived directly or indirectly through such subsidiary limited partnerships, on a net basis taking into account allowable deductions. Investment LP is subject to a combined federal and state income tax rate of 38.28% (December 31, 2014 – 38.45%). Current taxes in Investment LP have been reduced to nil. To the extent U.S. taxes are paid by Investment LP such amounts will be creditable against an investor's Canadian federal income tax liability to the extent permitted by Canadian tax law.

(in thousands of United States dollars, unless otherwise stated)

The loss carry-forwards and the tax effects of temporary differences that give rise to the recognition of deferred tax assets and liabilities is as follows:

	Year ended December 31,	
	2015	2014
Deferred tax assets		
Deferred financing costs	**$ 1,662**	$ 1,980
Financial instruments	**—**	484
Loss carry-forwards	**5,824**	5,009
	7,486	7,473
Deferred tax liabilities		
Financial instruments	**298**	—
Investment properties	**72,206**	45,692
	72,504	45,692
Deferred tax liabilities (assets)	**$ 65,018**	$ 38,219

The following is a reconciliation of deferred tax liabilities during the period:

	Year ended December 31,	
	2015	2,014
Beginning of the period	**$ 38,219**	$ 5,757
Combination transaction	**—**	14,987
SUSO 3 transaction	**8,870**	—
Deferred tax expense	**17,929**	17,475
End of period	**$ 65,018**	$ 38,219

A reconciliation between the expected income taxes based upon the 2015 statutory rates and the income tax expense recognized during the year ended December 31, 2015 is as follows:

	Year ended December 31,	
	2015	2014
Net income before and taxes and unit (expense) income	**$ 43,153**	$ 36,915
Expected income taxes at Canadian statutory tax rates of 26.5%	**$ 11,436**	$ 9,782
Net foreign income and rate differential	**$ 6,893**	$ 5,845
Permanent differences	**131**	—
Prior year rate differential	**(164)**	103
Other items	**(367)**	1,745
Deferred income tax expense	**$ 17,929**	$ 17,475

(in thousands of United States dollars, unless otherwise stated)

17. Unit (expense) income

Unit (expense) income is comprised of declared distributions and the change in fair value of REIT units and exchangeable units of subsidiaries as follows:

		Year ended December 31,	
	Note	**2015**	2014
REIT units distributions	*12*	**$ 19,622**	$ 7,883
Exchangeable units of subsidiaries distributions	*12*	**1,903**	1,275
Change in fair value of REIT units	*12*	**3,177**	(10,580)
Change in fair value of exchangeable units of subsidiaries	*12*	**57**	(4,693)
Total		**$ 24,759**	$ (6,115)

18. Financial instruments

Except as noted, the carrying value of 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.

The carrying amounts and fair values of the REIT's financial instruments are as follows:

	December 31, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Cash	**$ 11,855**	**$ 11,855**	$ 13,174	$ 13,174
Deposits on investment properties	**—**	**—**	500	500
Accounts receivable	**7,466**	**7,466**	4,539	4,539
TIF notes receivable	**3,882**	**4,922**	4,078	5,346
Interest rate caps	**—**	**—**	2	2
Funds held in escrow	**2,233**	**2,233**	1,513	1,513
Total financial assets	**$ 25,436**	**$ 26,476**	$ 23,806	$ 25,074
Financial liabilities				
Accounts payable and accrued liabilities	**$ 9,299**	**$ 9,299**	$ 5,337	$ 5,337
Distributions payable	**2,065**	**2,065**	1,276	1,276
Term loan	**223,108**	**225,000**	222,470	225,000
Revolver	**198,820**	**199,102**	44,005	44,005
Mortgages	**155,352**	**157,370**	99,063	100,199
TIF notes payable	**3,743**	**3,840**	4,022	4,151
Other non-current liabilities	**1,756**	**1,756**	1,179	1,179
REIT units	**305,926**	**305,926**	185,499	185,499
Exchangeable units of subsidiaries	**26,597**	**26,597**	25,764	25,764
Total financial liabilities	**$ 926,666**	**$ 930,955**	$ 588,615	$ 592,410

(in thousands of United States dollars, unless otherwise stated)

The fair value hierarchy of financial assets and financial liabilities is as follows:

December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Financial assets				
Cash	$ 11,855	$ —	$ —	$ 11,855
Accounts receivable	—	7,466	—	7,466
TIF notes receivable	—	—	4,922	4,922
Funds held in escrow	2,233	—	—	2,233
Total financial assets	**$ 14,088**	**$ 7,466**	**$ 4,922**	**$ 26,476**
Financial liabilities				
Accounts payable and accrued liabilities	$ —	$ 9,299	$ —	$ 9,299
Distributions payable	—	2,065	—	2,065
Term loan	—	225,000	—	225,000
Revolver	—	199,102	—	199,102
Mortgages	—	157,370	—	157,370
TIF notes payable	—	3,840	—	3,840
Other non-current liabilities	1,756	—	—	1,756
REIT units	305,926	—	—	305,926
Exchangeable units of subsidiaries	26,597	—	—	26,597
Total financial liabilities	**$ 334,279**	**$ 596,676**	**$ —**	**$ 930,955**

December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Financial assets				
Cash	$ 13,174	$ —	$ —	$ 13,174
Deposits on investment properties	500	—	—	500
Accounts receivable	—	4,539	—	4,539
Interest rate caps	—	—	2	2
TIF notes receivable	—	—	5,346	5,346
Funds held in escrow	1,513	—	—	1,513
Total financial assets	$ 15,187	$ 4,539	$ 5,348	$ 25,074
Financial liabilities				
Accounts payable and accrued liabilities	—	5,337	—	5,337
Distributions payable	—	1,276	—	1,276
Term loan	—	225,000	—	225,000
Revolver	—	44,005	—	44,005
Mortgages	—	100,199	—	100,199
TIF notes payable	—	4,151	—	4,151
Other non-current liabilities	1,179	—	—	1,179
REIT units	185,499	—	—	185,499
Exchangeable units of subsidiaries	25,764	—	—	25,764
Total financial liabilities	**$ 212,442**	**$ 379,968**	**$ —**	**$ 592,410**

(in thousands of United States dollars, unless otherwise stated)

19. 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	**$ 577,280**	$ 365,538
REIT units	**305,926**	185,499
Exchangeable units of subsidiaries	**26,597**	25,764
Unitholders' equity	**21,797**	21,332
	$ 931,600	$ 598,133

The Declaration of Trust provides that the REIT is not permitted to exceed financial leverage in excess of 60% of gross book value, as defined by the Declaration of Trust, and calculated as follows:

	December 31, 2015	December 31, 2014
Total assets	**$ 1,013,481**	$ 648,166
Less: restricted cash	**(2,233)**	(1,513)
Gross book value	**$ 1,011,248**	$ 646,653
Debt	**577,280**	365,538
Leverage ratio	**57.1%**	56.5%

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

The REIT's term loan and revolver are subject to financial and other covenants. The following are the primary financial covenants, with all terms defined by the lending agreement:

	Threshold	**December 31, 2015**	December 31, 2014
Maximum leverage ratio: consolidated total indebtedness shall not exceed 65% of gross asset value	< 65%	**59.8%**	59.7%
Minimum fixed charge coverage ratio: adjusted EBITDA to consolidated fixed charges shall not be less than 1.50x	> 1.50x	**3.29x**	3.32x
Minimum consolidated tangible net worth ("TNW"): shall at all times exceed 80% of TNW at close plus 80% of all future equity offerings	> $287,701 / > $223,379	**$ 388,742**	$ 248,426

20. Risk management

The REIT's risk management policies are established to identify, analyze and manage the risks faced by the REIT and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the REIT's activities and to ensure applicability.

In the normal course of business, the main risks arising from the REIT's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

i. Credit risk

Credit risk is the risk of financial loss to the REIT associated with the failure of a tenant or other party to meet its contractual obligations related to lease agreements, including future lease payments. The risk is mitigated by carrying out appropriate credit checks and related due diligence on the significant tenants.

For the year ended December 31, 2015, one individual tenant accounted for 6.2% of the REIT's base rent.

(in thousands of United States dollars, unless otherwise stated)

ii. Liquidity risk

Liquidity risk is the risk that the REIT will not be able to meet its financial obligations as they fall due. The REIT's approach to managing liquidity is to ensure sufficient financial resources are available to meet its liabilities as they become due. This includes monitoring of cash, current receivables, current payables, and non-current liabilities as they become current.

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to the demand for and the perceived desirability of such investments. Such illiquidity can limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were required to liquidate a real property investment promptly, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

The REIT's contractual commitments are as follows:

	Total contractual cash flow	In one year or less	In more than one year but not more than three years	In more than three years but not more than five years	In more than five years
Accounts payable and accrued liabilities	$ 9,299	$ 9,299	$ —	$ —	$ —
Term loan [(1)]	225,000	—	225,000	—	—
Term loan interest payable [(1)]	21,629	6,272	15,357	—	—
Revolver [(1)]	199,102	—	199,102	—	—
Revolver interest payable [(1)]	11,713	5,550	6,163	—	—
Mortgages	153,353	1,952	5,044	6,563	139,794
Mortgage interest payable	51,221	6,880	13,440	12,892	18,009
TIF notes payable	3,840	218	307	3,315	—
TIF notes interest payable	622	220	275	127	—
REIT units	305,926	400	—	—	305,526
Exchangeable units of subsidiaries	26,597	400	—	—	26,197
Total contractual commitments	**$ 1,008,302**	**$ 31,191**	**$ 464,688**	**$ 22,897**	**$ 489,526**

[(1)] Term loan and revolver interest payable is calculated on $225.0 million and $199.1 million (balance outstanding) using an estimated "all in" interest rate of 2.70% under the "less than one year" column. The long term average interest rate is based on the 30-day LIBOR forward curve plus the specified margin for the LIBOR rate option under the term loan and revolver results in an anticipated increase to the "all-in" interest rate to 3.52% and 3.29%, respectively. The total term loan and revolver interest payable is calculated until maturity of the initial term.

iii. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will vary as a result of changes in market interest rates. The REIT manages its financial instruments with the objective of mitigating any potential interest rate risks. For the term loan, interest rate on the loans will vary depending on changes in base rate and/or LIBOR rate. The REIT is subject to interest rate risks for debt that has variable interest rates.

iv. Unit price risk

The REIT is exposed to unit price risk as a result of the issuance of REIT units and exchangeable units of subsidiaries. REIT units and exchangeable units of subsidiaries have been classified as liabilities and measured at fair value based on market trading prices. REIT units and exchangeable units of subsidiaries negatively impact net income when the unit price rises and positively impact net income when unit prices decline. An increase of $1.00 in the underlying price of REIT units results in an increase to liabilities and a decrease in net income of $29.3 million. An increase of $1.00 in the underlying price of exchangeable units of subsidiaries results in an increase to liabilities and a decrease in net income of $2.5 million.

v. Currency risk

Currency risk is associated with a fluctuation in the value of the U.S. dollar relative to other foreign currencies. Although not material, the REIT is exposed to currency risk as certain transactions related to payment of the REIT's expenses are denominated in Canadian dollars.

(in thousands of United States dollars, unless otherwise stated)

21. Leases

The REIT enters into long-term lease contracts with tenants for space in the REIT's properties. Leases generally provide for the tenant to pay base rent, with provisions for contractual increases in base rent over the term of the lease, plus operating costs and realty tax recoveries. Certain leases have limitations or escalation restrictions on the amount of recoveries or cost reimbursements which the tenant is obligated to pay regardless of the actual costs incurred by the REIT to operate and maintain the properties.

The REIT's existing leases have a weighted average outstanding term of 5.2 years (December 31, 2014 – 5.4 years) and may include clauses to enable periodic upward revisions in rental rates.

The future minimum lease payments from the REIT's non-cancellable operating leases as a lessor are as follows:

	Year ended December 31,	
	2015	2014
Not later than one year	**$ 72,962**	$ 45,548
Later than one year but not later than five years	**210,571**	129,924
Later than five years	**134,962**	66,498
Total	**$ 418,495**	$ 241,970

22. Related parties

Pursuant to the terms of a management agreement dated April 15, 2014 (the "management agreement"), Slate Asset Management L.P., a real estate asset management company (the "Manager"), provides all management services to the REIT. The Manager agreed to provide certain services in connection with the business of the REIT, including: the structuring of the REIT, liaising with legal and tax counsel; identifying properties for acquisition; maintaining ongoing relationships with the lenders in respect of the mortgage loans for the Properties; conducting continuous analysis of market conditions; and advising with respect to the disposition of the Properties. In return for its service, the Manager receives the following fees:

i an asset management fee equal to 0.4% of the total assets of the REIT (payable on a quarterly basis);

ii an acquisition fee in an amount equal to 0.75% of the gross purchase price of each Property (or interest in a Property), including the price, due diligence costs, closing costs, legal fees, and additional capital costs for all Properties indirectly acquired by the REIT; and

iii an annual incentive fee, calculated in arrears, in an aggregate amount equal to 15% of the REIT's funds from operation per class U unit as derived from the annual financial statements of the REIT in excess of $1.28, subject to ordinary course adjustments for certain transactions affecting the class U units and increasing annually by 50% of the increase in the United States consumer price index.

These transactions are in the normal course of operations and are measured at the exchange amount which is the consideration established and agreed to by the parties.

Fees paid to the Manager are as follows:

	Year ended December 31,	
	2015	2014 (1)
Asset management	**$ 3,300**	$ 1,570
Acquisition	**1,071**	1,381
Incentive	**193**	—
Total	**$ 4,564**	$ 2,951

(1) The fees paid to the Manager during the year ended December 31, 2014 includes the legacy SUSO 2 asset management and service fees and acquisitions fees earned from January 1, 2014 to April 15, 2014. Subsequent to the combination transaction, the asset management fee is calculated as described above. These transactions are in the normal course of operations and are measured at the exchange amount which is the consideration established and agreed to by the parties.

Prior to entering into the management agreement, the REIT was subject to an agreement with the Manager that required an acquisition fee, on terms similar to as described above, and an asset management fee equal to 1.0% and 0.5%, respectively, of the gross subscription proceeds from the initial public offering of the REIT's predecessor.

Combination transactions

Each of SUSO 3, and SUSO 1, SUSO 2 and GAR, were managed by the Manager at the time of their acquisitions by the REIT.

(in thousands of United States dollars, unless otherwise stated)

Trustee fees

The REIT's key personnel includes Trustees and certain members of the executive team of the REIT. For the year ended December 31, 2015, Trustee fees amount to $0.3 million (December 31, 2014 – $0.2 million).

Notes receivable

On October 20, 2015, the REIT provided a loan to the Manager for the purposes of acquiring an investment property, in the amount of $7.7 million, bearing interest of 8.0% and maturing October 19, 2020. Interest receivable on the loan was $0.1 million for the year ended December 31, 2015 (December 31, 2014 – nil).

23. Supplemental cash flow information

The net change in non-cash operating assets and liabilities is as follows:

	Year ended December 31,	
	2015	2014
Prepaids	**$ 511**	$ (77)
Accounts receivable	**(1,300)**	640
Accounts payable and accrued liabilities	**(588)**	(3,204)
Other liabilities	**70**	54
Total	**$ (1,307)**	$ (2,587)

24. Subsequent events

i. On each of January 15, 2016 and February 16, 2016 the REIT declared monthly distributions of $0.06489 per class U unit. Holders of class A units, class I units and units of subsidiaries of the REIT were also entitled to receive a distribution at the respective conversion rate attributable to the units.

ii. On March 2, 2016, the REIT announced it has filed a rights offering notice and circular in respect of a rights offering to eligible unitholders of REIT units and exchangeable units of the REIT to subscribe for class U units. Up to approximately C$50 million may be raised under the rights offering.

iii. On February 26, 2016, the REIT refinanced its revolver and term loan, increasing the available capacity by $135.0 million to $585.0 million, extending the term to 2020 with an option to extend for an additional year, and reducing the borrowing rate by 25 bps to one month LIBOR plus 200 bps.