

Slate Office REIT

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

Independent Auditors' Report

To the Unitholders of Slate Office REIT

Opinion

We have audited the consolidated financial statements of Slate Office REIT ("the Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of income for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Information

Management is responsible for the other information. Other Information comprises:

- The information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 the auditors' report.

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity'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 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a single horizontal line that tapers at both ends, resembling a stylized underline or a flourish.

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Larry Toste.
Toronto, Canada
February 28, 2020

Slate Office REIT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, unless otherwise stated)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Properties	6	\$ 1,622,085	\$ 1,780,413
Finance lease receivable	7	53,315	56,146
Other assets	8	6,273	4,639
Derivatives	12	841	218
Deferred tax asset	26	—	757
Restricted cash		4,253	3,648
		1,686,767	1,845,821
Current assets			
Finance lease receivable	7	2,830	2,484
Other assets	8	6,025	4,828
Accounts receivable	9	8,225	6,404
Cash		6,117	7,192
		23,197	20,908
Total assets		\$ 1,709,964	\$ 1,866,729
LIABILITIES AND EQUITY			
Non-current liabilities			
Debt	10	\$ 818,621	\$ 908,488
Other liabilities	11	4,598	5,270
Derivatives	12	7,214	4,280
Deferred tax liability	26	92	—
Class B LP units	13	30,918	31,552
		861,443	949,590
Current liabilities			
Debt	10	183,326	267,338
Other liabilities	11	1,675	1,749
Accounts payable and accrued liabilities	14	36,215	36,605
		221,216	305,692
Total liabilities		1,082,659	1,255,282
Unitholders' equity		627,305	611,447
Total liabilities and unitholders' equity		\$ 1,709,964	\$ 1,866,729

Slate Office REIT

CONSOLIDATED STATEMENTS OF INCOME (in thousands of Canadian dollars, unless otherwise stated)

	Note	Year ended December 31,	
		2019	2018
Rental revenue	17	\$ 215,520	\$ 209,899
Property operating expenses		(114,823)	(106,164)
Finance income on finance lease receivable	7	3,615	3,765
Interest income		556	264
Interest and finance costs	18	(48,988)	(45,862)
General and administrative	19	(7,708)	(7,486)
Change in fair value of financial instruments	20	(2,710)	2,401
Change in fair value of properties	6	32,738	15,288
Depreciation of hotel asset	6	(1,000)	(947)
Disposition costs	5	(12,142)	(2,247)
Deferred income tax recovery	26	(830)	721
Net income before Class B LP units		\$ 64,228	\$ 69,632
Change in fair value of Class B LP units	13	634	11,469
Distributions to Class B LP unitholders	16	(2,421)	(3,964)
Net income		\$ 62,441	\$ 77,137

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (in thousands of Canadian dollars, unless otherwise stated)

	Note	Year ended December 31,	
		2019	2018
Net income		\$ 62,441	\$ 77,137
Other comprehensive (loss) income to be subsequently reclassified to profit or loss:			
Foreign currency translation (loss) gain		(6,020)	7,929
Fair value (loss) gain on net investment hedges	20	3,264	(1,688)
Total other comprehensive (loss) income		(2,756)	6,241
Comprehensive income		\$ 59,685	\$ 83,378

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars, unless otherwise stated)

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	Total equity
December 31, 2018		\$ 533,269	\$ 71,937	\$ 6,241	\$ 611,447
Issuances, net of costs	15	(55)	—	—	(55)
Distributions	16	—	(31,448)	—	(31,448)
Units issued pursuant to DRIP	15	650	—	—	650
Repurchase of units	15	(12,974)	—	—	(12,974)
Net income and comprehensive income		—	62,441	(2,756)	59,685
December 31, 2019		\$ 520,890	\$ 102,930	\$ 3,485	\$ 627,305

	Note	Trust units	Retained earnings	Accumulated other comprehensive income	Total equity
December 31, 2017		\$ 438,975	\$ 45,564	\$ —	\$ 484,539
Issuances, net of costs	15	92,836	—	—	92,836
Distributions	16	—	(50,764)	—	(50,764)
Units issued pursuant to DRIP	15	1,459	—	—	1,459
Repurchase of units	15	(1)	—	—	(1)
Net income and comprehensive income		—	77,137	6,241	83,378
December 31, 2018		\$ 533,269	\$ 71,937	\$ 6,241	\$ 611,447

SLATE OFFICE REIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unless otherwise stated)

	Note	Year ended December 31, 2019	
		2019	2018
Operating activities			
Net income		\$ 62,441	\$ 77,137
Items not affecting cash:			
Depreciation of hotel asset	6	1,000	947
Change in fair value of properties	6	(32,738)	(15,288)
IFRIC 21 property tax adjustment	6	—	(4,371)
Straight-line rent and other changes	6	2,339	(683)
Change in fair value of Class B LP units	13	(634)	(11,469)
Change in fair value of financial instruments	20	2,710	(2,401)
Deferred income tax recovery	26	830	(721)
Finance income on finance lease receivable	7	(3,615)	(3,765)
Finance interest payments received on finance lease receivable	7	3,615	3,765
Distributions declared to Class B LP unitholders	16	2,421	3,964
Distributions paid to Class B LP unitholders	16	(2,575)	(3,964)
Interest income		(556)	(264)
Interest received		556	264
Interest and finance costs	18	48,988	45,862
Interest paid		(45,400)	(41,715)
Subscription receipt equivalent amount paid	18	—	(1,597)
Working capital items		9,914	3,686
		49,296	49,387
Investing activities			
Acquisition of properties		—	(420,422)
Proceeds from disposition of property	5	170,797	73,132
Capital expenditures	6	(26,977)	(17,550)
Direct leasing costs	6	(29,733)	(21,680)
Principal payments received on finance lease receivable	7	2,485	2,335
		116,572	(384,185)
Financing activities			
Proceeds (payment) on settlement of net investment hedges	12	2,994	(1,418)
Proceeds from issuance of units	15	—	103,509
Unit issuance and listing costs	15	(55)	(4,922)
Repurchase of units	15	(12,974)	(1)
Distributions on REIT units	16	(32,908)	(48,494)
Debt financing advanced	27	134,101	257,147
Issuance of convertible debentures		—	28,750
Cost of issuance of convertible debentures		—	(1,320)
Debt principal payments	27	(163,184)	(53,303)
Transaction costs on debt	27	(2,164)	(3,627)
(Repayments) advances on revolving and term facilities, net	27	(92,719)	56,144
		(166,909)	332,465
Foreign exchange (loss) gain on cash held in foreign currency		(34)	372
Decrease in cash		(1,075)	(1,961)
Cash, beginning of period		7,192	9,153
Cash, end of period		\$ 6,117	\$ 7,192

Slate Office REIT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars, unless otherwise stated)

1. DESCRIPTION OF THE REIT AND OPERATIONS

Slate Office REIT (the "REIT") is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of March 21, 2016, as amended March 1, 2019, as it may be further amended, supplemented or amended and restated from time to time (the "Declaration of Trust"). At December 31, 2019, the REIT's portfolio consists of 37 commercial properties located in North America. The units of the REIT trade on the Toronto Stock Exchange ("TSX") under the symbol "SOT.UN".

The principal, registered and head office of the REIT is 121 King Street West, Suite 200, Toronto, ON, Canada, M5H 3T9.

2. BASIS OF PRESENTATION

i. Statement of compliance

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

ii. Approval of the consolidated financial statements

The consolidated financial statements were approved by the trustees of the REIT and authorized for issuance on February 28, 2020.

iii. Basis of measurement

These consolidated financial statements have been prepared on a going concern basis and measured at historical cost except for 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 Canadian dollars, which is the REIT's functional currency and the functional currency of all of its subsidiaries, except for subsidiaries directly or indirectly holding property in the United States of America (the "U.S.") for which the functional currency is U.S. dollars.

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.

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

ii. Joint arrangements

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

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

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

iii. Investment properties

Investment properties include land and buildings held primarily to earn rental income, for capital appreciation or for both. The REIT accounts for its investment properties in accordance with IAS 40, *Investment Property* ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination. Acquisitions of investment properties that do not meet the definition of a business are initially measured at cost including directly attributable transaction costs.

Subsequent to acquisition, investment properties are measured at fair value, which is determined based on available market evidence at the statements 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 the properties. 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, *Leases* ("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.

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

When an investment property is disposed of, the gain or loss is determined as the difference between the sales price 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. Sales costs are recorded as disposition costs on the consolidated statement of net income.

iv. Business combinations

The REIT accounts for investment property acquisitions as a business combination if the particular assets and set of activities acquired can be operated and managed as a business in its current state. The REIT applies the acquisition method to account for business combinations. The consideration transferred for a business combination is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the REIT. The total consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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 IFRS 9, *Financial Instruments* ("IFRS 9") primarily in net income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

v. Restricted cash

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

vi. Provisions

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

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

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

vii. Leases

Leases where the REIT, as the lessor, does not transfer substantially all the risks and rewards of ownership of its investment properties are classified as operating leases. As a lessee, the REIT recognizes assets and liabilities for all leases with terms greater than twelve months unless the underlying asset is of low value. Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases.

viii. Revenue recognition

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

ix. Expenses

Property operating expenses and other expenses are recognized in net income in the period in which they are incurred.

x. Other comprehensive income

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

xi. Income taxes

The REIT is a mutual fund trust and real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust that meets prescribed conditions is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes in Canada provided its taxable income is fully distributed to unitholders. The REIT intends to distribute all of its taxable income to unitholders. The REIT is liable to pay income taxes in foreign countries on earnings from properties it owns in those locations.

Current income tax assets and liabilities are measured at the amount expected to be received from or paid to tax authorities based on the tax rates and laws enacted or substantively enacted at the date of the consolidated statements of financial position. Deferred tax liabilities are measured 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 the 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 an investment property will be substantially consumed through use over time. Current and deferred income taxes are recognized in correlation to the underlying transaction in net income.

xii. Trust units

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

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

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xiii. Class B LP units

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

xiv. Financial instruments

Financial instruments are classified as follows: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), (iii) fair value through other comprehensive income ("FVTOCI"). The REIT has made the following classifications:

Financial instrument	Classification
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Other assets	Amortized cost and FVTPL
Accounts payable and accrued liabilities	Amortized cost
Debt	Amortized cost
Derivatives	FVTPL
Derivatives designated as hedges	FVTOCI
Class B LP units	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 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 and comprehensive income. Derivatives designated as hedges 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.

xv. Compound financial instruments

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

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

xvi. Convertible debentures

Convertible debentures issued by the REIT are convertible into a fixed number of units at the option of the holder and are redeemable by the REIT under certain conditions. The convertible debentures are separated into their debt component and embedded derivative features and accounted for separately. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without the embedded derivative features. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method. The embedded derivative features include a holder conversion option at any time and an issuer redemption option under certain conditions. The multiple embedded derivative features are treated as a single compound embedded derivative liability and initially recognized at fair value. Subsequent to initial recognition, changes in fair value are recognized in net income. Upon issuance, any directly attributable costs are allocated to the debt component and embedded derivative liability in proportion to their initial carrying amounts.

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(in thousands of Canadian dollars, unless otherwise stated)

For the debt component, the transaction costs are reflected in the determination of the effective interest rate. For the embedded derivative liability, the transaction costs are immediately expensed. Upon conversion, the carrying amount of the debt component and the related fair value of the derivative liability as of the date of conversion are transferred to equity. Upon redemption, the redemption proceeds are compared to the carrying amount of the debt component and the related fair value of the embedded derivative extinguished as of the date of redemption, and any gain or loss on redemption is recognized in net income.

xvii. Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the REIT considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date, unless otherwise noted.

Except as noted, the carrying value of the REIT's financial assets and financial liabilities approximate their fair values because of the short period until receipt or payment of cash. The fair values of 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:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the REIT can access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly.
- 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.

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

xviii. Deferred unit incentive plan

The REIT has a deferred unit incentive plan ("Trustee 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 Trustee DUP. Deferred units may be redeemed by a participant for a period of two years after the participant ceases to be a Trustee of the REIT in whole or in part for cash or REIT units. The value of deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability and measured at fair value. Changes in the fair value of deferred units is recorded as a gain or loss in net income and comprehensive income in the period of the change.

The REIT also has a deferred unit plan for officers of the REIT ("Officer DUP"). The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT. The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one REIT unit. Any units issued under the Officer DUP will result in an equal reduction and offsetting in the asset management fee payable to SMC (defined in note 21), based on the trading price of units on the day of issuance. The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or REIT units. The value of the deferred units when converted to cash will be equivalent to the market value of REIT units on the date of the redemption request. Deferred units have been classified as a liability and measured at fair value. Changes in the fair value of deferred units is recorded as a gain or loss in net income in the period of the change.

xix. Interest and finance costs

Interest and finance costs comprise interest expense on borrowings, amortization or derecognition of mark-to-market adjustments on assumption of mortgages, amortization of transaction costs, and accretion expense. As described above, distributions to Class B LP unitholders are also considered financing costs under IFRS and are recorded as distributions to Class B LP unitholders in net income.

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.

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xx. Foreign exchange

The REIT accounts for its investment in its U.S. wholly owned subsidiaries as U.S. dollar functional currency foreign operations. Assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates in effect at the consolidated statements of financial position dates and revenue and expenses are translated at the average exchange rates for the reporting periods. The foreign currency translation adjustment is recorded as a separate component of accumulated other comprehensive income (loss) until there is a reduction in the REIT's net investment in the foreign operations. Assets and liabilities denominated in a currency other than the functional currency are translated into the functional currency at the exchange rates in effect at the consolidated statements of financial position dates and revenue and expenses are translated at the actual exchange rate on the date incurred, with any gain (loss) recorded in net income, unless the asset or liability is designated as a hedge of the REIT's net investment in its U.S. subsidiaries, in which case the related gain (loss) is also included as a foreign currency translation adjustment in accumulated other comprehensive income.

xxi. Levies

Under IFRS Interpretations Committee Interpretation 21, *Levies* ("IFRIC 21") realty taxes payable by the REIT are considered levies. 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 investment properties.

xxii. 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.

Judgments

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

- **Business combinations**

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

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

- **Leases**

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

- **Lease incentives**

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

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- **Income taxes**

The REIT has determined that it is not subject to Canadian income taxes as it intends to continue to meet prescribed conditions under the Income Tax Act (Canada) and make distributions not less than the amount necessary to ensure that it is not liable to pay income taxes under current Canadian tax legislation. The REIT is subject to foreign taxes in respect of its earnings from properties held in jurisdictions outside of Canada.

- **Assets and liabilities held for sale**

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

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. Stabilized net operating income is determined as the property's potential gross income that could be generated at full capacity, less a vacancy and collection allowance. The capitalization rate used is derived from analysis of comparable sales data and the relative relationship of other properties' net operating incomes over their sale price. In many cases, industry surveys are available that provide indicative ranges of capitalization rates for recently sold properties or views on value, however, certain adjustments are required to adjust for the specific nature, location and quality of properties.

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

- b. **Direct comparison approach**

This approach involves comparing properties similar to the property for which fair value is being estimated and making adjustments to reconcile differences in size, location, nature and the quality of the property.

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

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

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xxiii. Application of new and revised IFRSs

The REIT has adopted the following new accounting standard:

IFRS 16, Leases ("IFRS 16")

The REIT has applied IFRS 16 effective January 1, 2019. IFRS 16 replaces IAS 17, *Leases* ("IAS 17"), and IFRIC 4, *Determining whether an arrangement contains a lease*. IFRS 16 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 leased asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, 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 adoption of IFRS 16 did not have a material impact to the REIT's consolidated financial statements.

4. ACQUISITIONS

For the year ended December 31, 2019, the REIT did not acquire any investment properties. Acquisitions completed for the year ended December 31, 2018 are as follows:

- On February 1, 2018, the REIT acquired a wholly-owned interest in an office building located at 20 South Clark Street, in downtown Chicago, IL, ("20 South Clark") for a price of U.S. \$85.6 million, prior to adjustments and transaction costs.
- On March 27, 2018, the REIT acquired wholly-owned interests in seven office properties located in the Greater Toronto Area and Atlantic Canada (the "7 Asset Portfolio") for an aggregate purchase price of \$191.4 million prior to adjustments and transaction costs, satisfied in part by the assumption of \$80.0 million of mortgage debt, net of mark-to-market adjustments of \$2.1 million.
- On August 30, 2018, the REIT acquired a wholly-owned interest in an office building located at 120 South LaSalle Street, in downtown Chicago, IL, and an adjacent parking garage located at 183 West Monroe Street, in downtown Chicago, IL (collectively "120 South LaSalle") for a price of U.S. \$155.5 million prior to adjustments for unpaid tenant inducements of \$5.5 million and working capital of \$1.6 million.

A summary of the 2018 acquisitions is as follows:

	20 South Clark	7 Asset Portfolio	120 South LaSalle	Total
REIT's interest	100%	100%	100%	
Location	Chicago, IL	Various	Chicago IL	
Number of properties	1	7	1	9
Acquisition date	February 1, 2018	March 27, 2018	August 30, 2018	
Purchase price	\$ 105,247	\$ 191,400	\$ 201,839	\$ 498,486
Transaction costs	2,981	7,811	1,355	12,147
Adjustments	(404)	(1,243)	(3,896)	(5,543)
Debt principal amount assumed	—	(82,159)	—	(82,159)
Net investment	\$ 107,824	\$ 115,809	\$ 199,298	\$ 422,931

The net investments in the above acquisitions have been allocated as follows:

	20 South Clark	7 Asset Portfolio	120 South LaSalle	Total
Properties	\$ 107,205	\$ 194,164	\$ 197,666	\$ 499,035
Working capital	619	(614)	1,632	1,637
Income supplement	—	2,270	—	2,270
Debt	—	(80,011)	—	(80,011)
Net assets acquired	\$ 107,824	\$ 115,809	\$ 199,298	\$ 422,931

Consideration for each acquisition during the year ended December 31, 2018 was comprised of cash and the assumption of debt.

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5. DISPOSITIONS

2019 Dispositions

During the year ended December 31, 2019, the REIT made the following property dispositions:

	GTA Office Portfolio	895 & 1000 Waverley	225 Duncan Mill	5500 North Service Road	Total
Disposition date	April 12, 2019	June 27, 2019	July 4, 2019	November 5, 2019	
Location	Greater Toronto Area, ON	Winnipeg, MB	Greater Toronto Area, ON	Greater Toronto Area, ON	
Number of properties	6	2	1	1	10
Interest disposed	25%	100%	100%	100%	
Sale price	\$ 131,793	\$ 21,300	\$ 27,325	\$ 52,200	\$ 232,618
Capital adjustments	3,503	(802)	(675)	(6,264)	(4,238)
Working capital and other	(869)	(12)	(57)	(702)	(1,640)
Disposition costs	(7,714)	(542)	(3,159)	(727)	(12,142)
Debt assumed by purchaser	(43,801)	—	—	—	(43,801)
Net proceeds	\$ 82,912	\$ 19,944	\$ 23,434	\$ 44,507	\$ 170,797

2018 Dispositions

During the year ended December 31, 2018, the REIT made the following property dispositions:

	35 Martin Way	135 Queen's Plate	Water Street Properties	Centennial Centre	Meadowpine Centre	Total
Disposition date	January 15, 2018	July 13, 2018	September 28, 2018	December 10, 2018	December 10, 2018	
Location	Brooks, AB	Toronto, ON	St. John's, NL	Toronto, ON	Toronto, ON	
Number of properties	1	1	2	1	1	6
Sale price	\$ 1,025	\$ 16,740	\$ 17,290	\$ 35,025	\$ 9,050	\$ 79,130
Capital adjustments	—	2	37	(422)	(25)	(408)
Working Capital	—	(136)	(21)	(421)	(65)	(643)
Disposition costs	(54)	(409)	(930)	(509)	(345)	(2,247)
Vendor-take-back loan	—	—	(2,700)	—	—	(2,700)
Net proceeds	\$ 971	\$ 16,197	\$ 13,676	\$ 33,673	\$ 8,615	\$ 73,132

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6. PROPERTIES

The change in the carrying value of the REIT's properties is as follows:

	Note	Year ended December 31,	
		2019	2018
Balance, beginning of period		\$ 1,780,413	\$ 1,279,509
Acquisitions ¹	4	—	499,035
Capital expenditures		26,977	17,550
Direct leasing costs		29,733	21,680
Dispositions	5	(228,380)	(78,722)
Depreciation of hotel asset		(1,000)	(947)
Foreign exchange		(16,057)	21,966
Change in fair value		32,738	15,288
IFRIC 21 property tax adjustment		—	4,371
Straight-line rent and other changes		(2,339)	683
Balance, end of period		\$ 1,622,085	\$ 1,780,413

¹Equal to the purchase price, transaction costs and adjustments.

Properties at December 31, 2019 are comprised of the REIT's interests in 36 properties, which includes one mixed-use hotel and office asset, and excludes a data centre in Winnipeg, MB (the "Data Centre"), which is classified as a finance lease (note 7). The REIT owns an undivided interest in all properties with the exception of six office properties in the Greater Toronto Area of which the REIT owns a 75% interest.

The hotel portion of the REIT's mixed-use asset does not meet the definition of an investment property under IAS 40, *Investment Property*, and accordingly is measured at cost less depreciation, with depreciation charged to income over the estimated useful life of the components of the hotel asset.

The REIT's properties are classified into income producing and development as follows:

	Year ended December 31,	
	2019	2018
Income producing	\$ 1,600,476	\$ 1,760,148
Development	21,609	20,265
	\$ 1,622,085	\$ 1,780,413

The change in the carrying value of the REIT's development properties is as follows:

	Year ended December 31,	
	2019	2018
Balance, beginning of period	\$ 20,265	\$ 31,542
Capital expenditures	622	1,297
Direct leasing costs	155	64
Change in fair value	567	4,684
Sale of properties	—	(17,327)
Straight-line rent and other changes	—	5
Balance, end of period	\$ 21,609	\$ 20,265

The REIT determines the fair value of properties based upon either the overall income capitalization rate method, discounted cash flow method, direct comparison approach or through a combination of these methods. All methods are generally accepted appraisal methodologies. The appropriate methodology is selected by management considering the nature of the property and availability of information. If a third party appraisal is not obtained for a property, management uses one or a combination of the overall income capitalization rate method and the discounted cash flow method. In certain circumstances the direct comparison approach is used by comparing properties to similar properties that have sold, but adjusting for differences in the nature and location of the properties. Under the overall income capitalization

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rate method, year one income is stabilized and capitalized at a rate appropriate for each property. Under the discounted cash flow method, fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 net operating income. Capitalization and discount rates are the most significant assumptions in determining fair value. The REIT uses leasing history, market reports, tenant profiles and available appraisals, among other evidence, in determining the most appropriate assumptions.

The fair values of 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 properties taken in aggregate may differ from the fair value of properties measured individually in the REIT's consolidated statements of financial position. Under the fair value hierarchy, the fair value of the REIT's properties is determined using the methodology described above and using level 3 inputs.

The REIT has estimated the value of \$1,501.5 million of its total property fair values using a direct capitalization or discounted cash flow methodology including those where third party appraisals have been obtained. The weighted average capitalization rate for these properties is 6.25% (December 31, 2018 - 6.18%). The capitalization rate on the REIT's properties is based on management's estimate of twelve-month forward net operating income or in certain cases stabilized net operating income. The remaining properties of the REIT are valued using alternative valuation methodologies.

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

	December 31, 2019		December 31, 2018	
	Discount rate	Terminal capitalization rate	Discount rate	Terminal capitalization rate
Minimum	6.25%	6.00%	6.25%	6.25%
Maximum	8.75%	8.25%	11.00%	9.00%
Weighted average	7.27%	6.69%	7.36%	6.71%

At December 31, 2019, a 25 basis-point increase in discount, terminal capitalization and stabilized capitalization rates would decrease the estimated fair value of the REIT's properties by approximately \$64.0 million (December 31, 2018 – \$75.7 million).

The following table summarizes the number of external appraisals obtained and the aggregate fair value represented by such appraisals:

Quarter ended	Number of properties	Fair Value ¹
December 31, 2018	5 \$	282,760
March 31, 2019	6	535,470
June 30, 2019	4	83,500
September 30, 2019	8	92,580
December 31, 2019	6 \$	425,400

¹Represents appraised value provided by respective independent third party appraiser.

7. FINANCE LEASE RECEIVABLE

The Data Centre owned by the REIT is fully leased. The tenant occupying the Data Centre has a lease with an initial term to maturity of 15 years, which commenced on June 5, 2015, with the option to extend for three additional five year terms. The tenant has a one-time option to acquire the property after the initial term of the lease for \$12.0 million. At its inception the lease met the requirements for classification as a finance lease as the minimum lease payments amounted to substantially all of the fair value of the leased asset and the tenant has the right to acquire the Data Centre for a price expected to be below the fair value of the property at maturity.

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

	Year ended December 31,	
	2019	2018
Balance, beginning of period	\$ 58,630	\$ 60,965
Lease payments received	(6,100)	(6,100)
Finance income on finance lease receivable	3,615	3,765
Balance, end of period	\$ 56,145	\$ 58,630

The following is a summary of the undiscounted future minimum lease payments receivable and the imputed interest and principal portions thereof. The principal portion represents the amount recorded on the consolidated statements of financial position at December 31, 2019:

	Future minimum lease payments	Interest portion of minimum lease payments	Principal portion of minimum lease payments
Less than one year	\$ 6,282	\$ 3,452	\$ 2,830
Greater than one year but less than 5 years	25,680	11,767	13,913
Greater than 5 years	48,535	9,133	39,402
Total			\$ 56,145

8. OTHER ASSETS

Other assets are comprised of the following:

	December 31, 2019	December 31, 2018
Prepaid expenses	\$ 2,262	\$ 2,697
Vendor-take-back loan	2,700	2,700
Interest rate subsidy	861	1,292
Performance payment	5,116	—
Income supplement	296	1,445
Investment tax credit receivable	781	831
Utilities deposits	282	502
Total	\$ 12,298	\$ 9,467

Other assets have been classified between current and non-current as follows:

	December 31, 2019	December 31, 2018
Current	\$ 6,025	\$ 4,828
Non-current	6,273	4,639
Total	\$ 12,298	\$ 9,467

In connection with the disposition of certain properties, the REIT was provided a \$2.7 million vendor-take-back loan as partial consideration. The vendor-take-back loan bears interest at 8.0% annually, matures in August 2020 and is repayable by the borrower at any time.

As part of a prior acquisition (note 21), the REIT received an interest rate subsidy in the initial amount of \$2.4 million. This subsidy is to be held in escrow and released to the REIT over the term to maturity of the debt assumed on the acquisition in order to compensate the REIT for the assumption of an above market rate mortgage.

The REIT is entitled to a performance payment related to its disposition of a 25% interest in six GTA office properties. An additional amount is payable to the REIT based on the financial performance of the properties to a maximum amount of \$6.0 million. This amount is recorded in other assets on the consolidated statements of financial position at FVTPL at an amount equal to the present value of the future expected amount.

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As part of a prior acquisition, REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition, ending in the first quarter of 2020. The income supplement is recorded as an other asset on the consolidated statements of financial position at amortized cost.

The REIT is eligible for a Manitoba data processing investment tax credit as a result of its development of the Data Centre. The REIT expects to receive the tax credit in installments through to 2029. Half of the tax credit is payable to the Data Centre tenant as the credits are received. The tax credit payable is included in other liabilities (see note 11).

9. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	December 31, 2019	December 31, 2018
Rent receivable	\$ 2,143	\$ 2,316
Accrued recovery income	2,017	1,927
Other amounts receivable	4,089	2,215
Allowance	(24)	(54)
Total	\$ 8,225	\$ 6,404

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

Included in other amounts receivable is \$0.2 million (December 31, 2018 – \$0.3 million) due from Slate (as defined in note 21) relating to a prior acquisition for future free rent adjustments, tenant inducements and leasing commissions. The receivable will be collected as the related items are paid or incurred in connection with the tenant lease agreements. The receivable is non-interest bearing and unsecured.

The change in allowance for doubtful accounts is as follows:

	Year ended December 31,	
	2019	2018
Balance, beginning of period	\$ (54)	\$ (171)
Change in allowance	(66)	(319)
Bad debt write-off	73	352
Bad debt recovery	23	84
Balance, end of period	\$ (24)	\$ (54)

The REIT measures the allowance at an amount equal to lifetime expected losses by taking into account past default experience and considering both current and potential bankruptcy, abandonment by tenants and certain tenant disputes.

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

	December 31, 2019	December 31, 2018
Current to 30 days	\$ 1,261	\$ 1,381
31 to 90 days	338	397
Greater than 90 days	520	484
Total	\$ 2,119	\$ 2,262

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10. DEBT

Debt held by the REIT at December 31, 2019 is as follows:

	Maturity	Coupon ¹	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ²
Mortgages ^{3 4 5}	Various	Various	17	\$ 1,005,305	\$ 589,490	\$ 589,490	\$ —	\$ —
Revolving facilities ^{5 6 7}	Various	Various	14	519,973	313,307	282,036	150	31,121
Term loan	Jun. 30, 2021	BA+213bps	5	146,899	106,117	106,117	—	—
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
Total			36	\$ 1,672,177	\$ 1,037,664	\$ 1,006,393	\$ 150	\$ 31,121

¹BA" means the one-month Bankers' Acceptances rate and "bps" means basis point or 1/100th of one percent.

²Debt is only available to be drawn subject to certain covenants and other requirements.

³The weighted average remaining term to maturity of mortgages is 3.1 years with maturities ranging from 0.7 to 10.8 years and the weighted average interest rate of mortgages is 3.78% with coupons ranging from 2.65% to 7.75%.

⁴Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The fair value of security includes the carrying value of the finance lease receivable.

⁵Amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on December 31, 2019.

⁶Stand-by fees incurred on the unutilized portion of the revolving operating facility and the revolving credit facility are each 0.40%, charged and paid quarterly.

⁷Principal balance includes \$168.3 million and U.S. \$53.0 million of operating facilities and a credit facility of \$44.9 million. The weighted average remaining term to maturity of revolving facilities is 1.1 years and the weighted average interest rate of revolving facilities is 3.94% with coupons ranging from 3.76% to 3.99%.

The carrying value of debt held by the REIT at December 31, 2019 is as follows:

	Principal	Mark-to-market ("MTM") adjustments and costs	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 589,490	\$ (3,344)	\$ 999	\$ 587,145	\$ 183,326	\$ 403,819
Revolving facilities	282,036	(2,210)	1,552	281,378	—	281,378
Term loan	106,117	(698)	167	105,586	—	105,586
Convertible debentures ¹	28,750	(1,320)	408	27,838	—	27,838
	\$ 1,006,393	\$ (7,572)	\$ 3,126	\$ 1,001,947	\$ 183,326	\$ 818,621

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the aggregate amount of \$0.2 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

Slate Office REIT

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Debt held by the REIT at December 31, 2018 is as follows:

	Maturity	Coupon ⁷	Properties provided as security	Fair value of security	Maximum available	Principal	Letters of credit	Available to be drawn ⁴
Mortgages ^{1 5 6}	Various	Various	20	\$ 895,992	\$ 668,984	\$ 668,984	\$ —	\$ —
Revolving facilities ^{2 3 6}	Various	Various	15	578,627	345,441	323,419	150	21,872
Term loan	Jun. 30, 2019	BA+213bps	5	153,537	117,938	117,938	—	—
Bridge loan	Aug. 30, 2019	BA+425bps	1	210,288	42,881	42,881	—	—
Convertible debentures	Feb. 28, 2023	5.25%	—	—	28,750	28,750	—	—
Total			41	\$ 1,838,444	\$ 1,203,994	\$ 1,181,972	\$ 150	\$ 21,872

¹The weighted average remaining term to maturity of mortgages is 3.6 years with maturities ranging from 0.9 to 11.8 years and the weighted average interest rate of mortgages is 4.06% with coupons ranging from 2.65% to 7.75%.

²Stand-by fees incurred on the unutilized portion of the revolving operating facility and the revolving credit facility are each 0.40%, charged and paid quarterly.

³Principal balance includes \$173.6 million and U.S. \$50.3 million of operating facilities and a credit facility of \$81.2 million. The weighted average remaining term to maturity of revolving facilities is 1.8 years with maturities ranging from 0.9 to 2.1 years and the weighted average interest rate of revolving facilities is 4.30% with coupons ranging from 4.25% to 4.50%.

⁴Debt is only available to be drawn subject to certain covenants and other requirements.

⁵Security includes the Data Centre, which is accounted for as a finance lease receivable and not included in the REIT's properties. The fair value of security includes the carrying value of the finance lease receivable.

⁶Amounts have been translated from U.S. to Canadian dollars using the prevailing exchange rate on December 31, 2018.

⁷"BA" means the one-month Bankers' Acceptances rate and "bps" means basis point or 1/100th of one percent.

The carrying value of debt held by the REIT at December 31, 2018 is as follows:

	Principal	Mark-to-market adjustments and costs ("MTM")	Accumulated amortization of MTM adjustments, costs and other	Carrying amount	Current	Non-current
Mortgages	\$ 668,984	\$ (3,846)	\$ 855	\$ 665,993	\$ 25,992	\$ 640,001
Revolving facilities	323,419	(2,091)	736	322,064	81,200	240,864
Term loan	117,938	(666)	499	117,771	117,771	—
Bridge loan	42,881	(768)	262	42,375	42,375	—
Convertible debentures ¹	28,750	(1,320)	193	27,623	—	27,623
	\$ 1,181,972	\$ (8,691)	\$ 2,545	\$ 1,175,826	\$ 267,338	\$ 908,488

¹Represents the debt component of the convertible debentures. The embedded derivative features, which are the holder conversion option and the issuer redemption option, originally recorded in the aggregate amount of \$0.2 million, are accounted for separately. These embedded derivative features are included within derivatives on the REIT's consolidated statements of financial position.

Concurrent with the sale of the 25% interest in the six office properties, the REIT refinanced mortgages on five of the six properties, resulting in \$31.5 million of additional proceeds to the REIT and extended the weighted average maturity by 1.5 years. These refinancings have increased the amount of fixed rate debt by \$100.9 million and have a weighted average interest rate of 3.69%.

On April 12, 2019, the REIT repaid in full its short term bridge loan of \$42.9 million, bearing interest at a rate of BA + 575 bps.

On June 27, 2019, the REIT disposed of two office properties located in Winnipeg, MB. The net proceeds were used to repay in full its remaining debt on those properties, plus debt on another property that was cross-collateralized. The total debt repaid was \$10.6 million, bearing interest at a fixed rate of 4.36%.

On August 1, 2019, the REIT renewed its term loan for \$108.0 million at a rate of BA plus 2.13% expiring June 30, 2021.

On October 31, 2019 the REIT refinanced its revolving credit facility at a rate of BA plus 2.00% maturing February 21, 2021 and with a capacity of \$56.0 million following the discharge of one of the REIT's investment properties disposed of on November 5, 2019.

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Future repayments of mortgages payable by year of maturity at December 31, 2019 are as follows:

	Weighted average interest rate of principal maturities ¹	Scheduled principal amortization	Principal maturities	Total repayments
2020	3.64%	\$ 12,050	\$ 171,276	\$ 183,326
2021	4.19%	11,093	90,722	101,815
2022	N/A	9,323	—	9,323
2023	3.68%	6,110	206,059	212,169
2024	N/A	4,730	—	4,730
Thereafter	3.58%	19,628	58,499	78,127
	3.74%	\$ 62,934	\$ 526,556	\$ 589,490
Unamortized debt financing costs				(2,345)
			\$	587,145

¹The weighted average interest rate of principal maturities is calculated using the rate in effect at December 31, 2019.

Future principal payments and maturities, excluding amortization of mark-to-market adjustments and transaction costs on debt at December 31, 2019 are as follows:

2020	\$ 183,326
2021	489,969
2022	9,323
2023	240,919
2024	4,730
Thereafter	78,126
	\$ 1,006,393

Convertible Debentures

On January 26, 2018, the REIT issued \$28.8 million of 5.25% convertible unsecured subordinated debentures of the REIT.

The convertible debentures are convertible into freely tradeable units at the option of the holder at any time prior to the close of business on the earliest of; (i) the last business day before February 28, 2023; or (ii) if called for redemption, the business day immediately preceding the date specified by the REIT for redemption of the debentures, at a conversion price of \$10.53 per unit (the "Conversion Price"). Convertible debenture holders converting their debentures will, in addition to the applicable number of units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last interest payment date on their convertible debentures to and including the last record date set by the REIT occurring prior to the date of conversion for determining the unitholders entitled to receive a distribution on the Units.

The convertible debentures may not be redeemed by the REIT prior to February 28, 2021. On and from February 28, 2021, and prior to February 28, 2022, the convertible debentures may be redeemed by the REIT, in whole at any time, or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted-average trading price of the Units on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the Conversion Price. On and from February 28, 2022, and prior to February 28, 2023, the convertible debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

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11. OTHER LIABILITIES

Other liabilities are comprised of the following:

	Note	December 31, 2019	December 31, 2018
Security deposits		\$ 5,139	\$ 5,967
Deferred units	15	742	636
Investment tax credit payable		392	416
Total		\$ 6,273	\$ 7,019

Other liabilities have been classified between current and non-current as follows:

	December 31, 2019	December 31, 2018
Current	\$ 1,675	\$ 1,749
Non-current	4,598	5,270
Total	\$ 6,273	\$ 7,019

The REIT is eligible to receive a Manitoba data processing investment tax credit in connection with the development of the Data Centre (see note 8). Half of the tax credit to be received is payable to the tenant of the Data Centre, the amount for which is recorded as an other liability. The credit is expected to be received through to 2029 and has been recorded in other liabilities at its discounted amount determined upon establishment of the liability.

12. DERIVATIVES

Derivatives include the REIT's interest rate protection instruments, including interest rate swaps and caps, and derivative features embedded in the REIT's convertible debentures, which include the convertible debenture holder conversion option and the REIT's redemption option.

Derivatives are comprised of the following:

	December 31, 2019	December 31, 2018
Fair value of conversion option on convertible debentures	\$ —	\$ (22)
Fair value of interest rate swaps	(6,373)	(3,770)
Fair value of foreign exchange hedge	—	(270)
Derivatives, net	(6,373)	(4,062)
Derivatives, fair value of asset	841	218
Derivatives, fair value of liability	\$ (7,214)	\$ (4,280)

The following is a reconciliation of the change in the fair value of derivatives:

	Year ended December 31,	
	2019	2018
Fair value, beginning of period	\$ (4,062)	\$ (538)
Initial recognition of embedded derivatives on issuance of convertible debentures	—	(170)
Fair value change of convertible debenture embedded derivatives	22	148
Fair value change of interest rate swaps	(3,972)	(3,223)
Net payments made on interest rate swaps	1,276	—
Foreign exchange loss on U.S. interest rate swap	93	—
Fair value change of interest rate cap	—	(9)
Fair value change of hedges of net investment in foreign operations	3,264	(1,688)
Settlement of net investment foreign exchange hedges	(2,994)	1,418
Fair value, end of period	\$ (6,373)	\$ (4,062)

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Interest rate protection instruments

The REIT enters into interest rate derivatives to reduce the impact of interest rate risk of certain debt with floating interest rates.

The REIT currently has in place certain pay-fixed receive-float interest rate swaps. Swaps are derivative financial instruments that require a periodic exchange of payments with counter-parties without the exchange of the notional amount on which the payments are based. The recorded interest expense on the underlying mortgages payable reflects payments made and received under the interest rate swaps.

Interest rate derivatives are measured at fair value with fair values estimated as the present value of contractual cash flows based on forward curves and an applicable discount rate.

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

Maturity date	Floating interest rate ¹	Fixed interest rate	Notional amount ²		Fair value	
			December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
June 10, 2021	1 month CDOR	1.87%	\$ 63,488	\$ —	\$ 93	\$ —
June 30, 2021	1 month BA	1.94%	35,000	—	15	—
September 10, 2025	1 month U.S. LIBOR	2.18%	131,276	137,887	(4,205)	(1,940)
April 12, 2023	1 month BA	1.90%	58,281	—	294	—
April 12, 2023	1 month CDOR	2.04%	79,614	—	(125)	—
April 12, 2023	1 month CDOR	2.04%	37,596	—	(59)	—
May 1, 2023	1 month BA	3.64%	25,802	29,242	(69)	218
October 30, 2026	1 month BA	2.30%	100,000	100,000	(1,560)	(1,390)
August 14, 2023	1 month BA	4.37%	18,692	20,032	(546)	(658)
February 1, 2024	1 month U.S. LIBOR	1.80%	64,940	—	(650)	—
March 22, 2024	1 month BA	1.90%	100,000	—	439	—
Total			\$ 714,689	\$ 287,161	\$ (6,373)	\$ (3,770)

¹"BA" means the one-month Bankers' Acceptances rate, "LIBOR" means the one month U.S. London Interbank Offering Rate, and "CDOR" means the Canadian Dollar Offered Rate.

²The notional amount of the U.S. dollar pay-fixed receive-float interest rate swaps, maturing September 10, 2025 and February 1, 2024, are U.S. \$101.1 million and U.S. \$50 million respectively.

Foreign exchange rate protection instruments

The REIT uses forward foreign exchange contracts to hedge against fair value changes in the first U.S. \$75.0 million of net investment in its U.S. operations arising from fluctuations in the U.S. and Canadian dollar exchange rates. The hedge ratio is 1:1 for the first U.S. \$75.0 million contributed to the U.S. operations as the REIT enters into contracts to sell U.S. \$75.0 million and buy Canadian dollars. As the REIT's U.S. operations are reported in Canadian dollars and the assets are converted using the prevailing spot exchange rates on the last business day of each reporting period, any fluctuations in the Canadian dollar equivalent of the REIT's first U.S. \$75.0 million net investment in U.S. operations will be exactly offset by fair value changes in the hedging instrument. Sources of hedge ineffectiveness include instances where the net investments in U.S. operations is less than U.S. \$75.0 million and potential misalignment between the term of the hedging instrument and the holding term of the REIT's net investment in U.S. operations.

The following transactions were designated as hedging items and qualify for hedge accounting:

- On December 28, 2018 the REIT entered into a foreign exchange transaction to sell U.S.\$75.0 million at an exchange rate of 1.3606 and purchase Canadian dollars. On March 29, 2019 the REIT entered into an offsetting trade to purchase U.S.\$75.0 million and settled on a net basis with the original transaction for a gain of \$1.8 million which was recorded in other comprehensive income.
- On March 29, 2019 the REIT entered into a foreign exchange transaction to sell U.S. \$75.0 million at an exchange rate of 1.3324 and purchase Canadian dollars. On June 11, 2019 the REIT entered into an offsetting trade to purchase U.S. \$75.0 million and settled on a net basis with the original transaction for a gain of \$0.5 million which was recorded in other comprehensive income.
- On November 20, 2019 the REIT entered into a foreign exchange transaction to sell U.S. \$75.0 million at an exchange rate of 1.3271 and purchase Canadian dollars. On December 5, 2019 the REIT entered into an offsetting trade to purchase U.S. \$75.0 million and settled on a net basis with the original transaction for a gain of \$0.7 million which was recorded in other comprehensive income.

There are no outstanding contracts designated as an accounting hedge and recorded as a derivative at December 31, 2019.

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13. CLASS B LP UNITS

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

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

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

The change in Class B LP units for the years ended December 31, 2019 and 2018 is as follows:

	2019		2018	
	Units	Amount	Units	Amount
Balance, beginning of period	5,285,160	\$ 31,552	5,285,160	\$ 43,021
Fair value changes	—	(634)	—	(11,469)
Balance, end of period	5,285,160	\$ 30,918	5,285,160	\$ 31,552

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	Note	December 31, 2019	December 31, 2018
Trade payables and accrued liabilities		\$ 28,134	\$ 25,642
Distributions payable	16	2,436	4,700
Prepaid rent		5,226	4,920
Tenant improvements payable		419	1,343
Total		\$ 36,215	\$ 36,605

15. UNITHOLDERS' EQUITY

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

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

The change in trust units during the years ended December 31, 2019 and 2018 is as follows:

	Note	2019		2018	
		Units	Amount	Units	Amount
Balance, beginning of period		69,908,485	\$ 533,269	56,938,025	\$ 438,975
Issued on public offering		—	—	12,778,800	97,758
Issued pursuant to DRIP	16	102,601	650	191,760	1,459
Unit issuance costs		—	(55)	—	(4,922)
Repurchase of units		(2,132,677)	(12,974)	(100)	(1)
Balance, end of period		67,878,409	\$ 520,890	69,908,485	\$ 533,269

Repurchase of units

During the year ended December 31, 2019, the REIT repurchased and cancelled 2,132,677 trust units under the REIT's normal course issuer bid (NCIB) program at an aggregate purchase price of \$13.0 million.

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Trustee deferred unit plan

Trustees who are not employees of the REIT or the Manager, Slate Asset Management (Canada) L.P., or any of their subsidiaries, are eligible to participate in the REIT's Trustee deferred unit plan ("the Trustee DUP"). Participants may elect to receive all or a portion of their annual retainer, meeting fees and additional compensation (including travel fees), in deferred units. One deferred unit, which vests immediately on the grant date, is equivalent to one trust unit. Additional deferred units accumulate at the same rate that distributions are paid on the trust units.

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

At December 31, 2019, the liability associated with the deferred units issued under the Trustee DUP was \$0.7 million (December 31, 2018 - \$0.6 million), and the number of outstanding deferred units was 116,902 (December 31, 2018 - 97,108 units).

Officer deferred unit plan

The Officer DUP provides officers of the REIT the opportunity to receive deferred units of the REIT through the Officer deferred unit plan ("the Officer DUP"). The maximum number of deferred units reserved for issuance under the Officer DUP is 1% of total units outstanding. One deferred unit, which vests immediately on the grant date, is equal to one trust unit. Any units issued under the Officer DUP result in an equal reduction in the asset management fee payable to Slate Management Corporation, based on the trading price of units on the day of issuance.

The deferred units may be redeemed by a participant after two years following the date the units were issued in whole or in part for cash or trust units. The value of the deferred units when converted to cash will be equivalent to the market value of trust units on the date of the redemption request. If a participant ceases to be an officer of the REIT, the deferred units must be redeemed no later than two years following that date.

At December 31, 2019, the liability associated with deferred units issued under the Officer DUP was \$0.1 million (December 31, 2018 - \$0.1 million), and the number of deferred units was 10,106 (December 31, 2018 - 9,332).

The change in DUP units during the years ended December 31, 2019 and 2018 is as follows:

	Note	2019		2018	
		Units	Amount	Units	Amount
Balance, beginning of period		106,440	\$ 636	60,300	\$ 491
Issued		40,376	244	38,424	279
Reinvested distributions		9,179	54	7,716	59
Redemption of units		(28,988)	(172)	—	—
Fair value adjustment	20	—	(20)	—	(193)
Balance, end of period	11	127,007	\$ 742	106,440	\$ 636

Weighted average diluted units outstanding

The following is the weighted average diluted number of units outstanding during the years ended December 31, 2019 and 2018. The diluted weighted average trust units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	Year ended December 31,	
	2019	2018
Basic weighted average units outstanding	68,567,368	66,831,271
Class B LP units	5,285,160	5,285,160
Basic weighted average deferred units outstanding	110,425	75,231
Diluted weighted average units outstanding	73,962,953	72,191,662

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Diluted units outstanding

The following is the diluted number of units outstanding as at December 31, 2019 and 2018. The diluted number of units outstanding is determined as if all of the Class B LP units and deferred units have been converted to units of the REIT:

	2019	2018
Trust units outstanding	67,878,409	69,908,485
Class B LP units	5,285,160	5,285,160
Deferred units	127,007	106,440
Diluted units outstanding	73,290,576	75,300,085

Accumulated other comprehensive income consists of the below:

	Year ended December 31, 2019			Year ended December 31, 2018		
	Foreign currency translation	Net investment hedges	Total	Foreign currency translation	Net investment hedges	Total
Balance, beginning of period	\$ 7,929	\$ (1,688)	\$ 6,241	\$ —	\$ —	\$ —
Currency translation	(6,020)	—	(6,020)	7,929	—	7,929
Fair value change	—	3,264	3,264	—	(1,688)	(1,688)
Balance, end of period	\$ 1,909	\$ 1,576	\$ 3,485	\$ 7,929	\$ (1,688)	\$ 6,241

16. DISTRIBUTIONS

Pursuant to the Declaration of Trust, the income of the REIT is distributed on dates and in amounts as determined by the Board of Trustees.

The following table presents the distributions during the years ended December 31, 2019 and 2018:

	2019		2018	
	Trust units	Class B LP units	Trust units	Class B LP units
Distributions declared during the period	\$ 31,448	\$ 2,421	\$ 50,764	\$ 3,964
Add: Distributions payable, beginning of period	4,370	330	3,559	330
Less: Distributions payable, end of period	(2,260)	(176)	(4,370)	(330)
Distributions paid or settled during the period	\$ 33,558	\$ 2,575	\$ 49,953	\$ 3,964

Distributions during the years ended December 31, 2019 and 2018 were paid or settled as follows:

	Note	2019		2018	
		Trust units	Class B LP units	Trust units	Class B LP units
Paid in cash		\$ 32,908	\$ 2,575	\$ 48,494	\$ 3,964
Reinvested in units	15	650	—	1,459	—
		\$ 33,558	\$ 2,575	\$ 49,953	\$ 3,964

The REIT has a distribution reinvestment program ("DRIP") where unitholders, including holders of Class B LP units, that elect to participate in the DRIP will have their cash distributions used to purchase trust units of the REIT. On May 3, 2019, the REIT, suspended its DRIP, commencing with the May distribution paid on June 17, 2019. During the year ended December 31, 2019, the REIT declared distributions resulting in 102,601 units (December 31, 2018 - 191,760 units) issued under the DRIP.

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17. RENTAL REVENUE

Rental revenue is comprised of the following:

	Year ended December 31,	
	2019	2018
Property base rent ¹	\$ 104,104	\$ 105,894
Operating cost recoveries	70,202	65,314
Tax recoveries	32,980	27,173
Hotel	10,573	10,835
Straight-line rent and other changes	(2,339)	683
Total	\$ 215,520	\$ 209,899

¹Includes parking revenue earned at properties.

The REIT has contracted to receive the following future minimum lease payments under non-cancellable operating leases:

	2019	2018
Not later than one year	\$ 114,605	\$ 121,796
Later than one year and not later than five years	366,491	384,489
Later than five years	256,609	294,134
Total	\$ 737,705	\$ 800,419

Future minimum lease payments for the Data Centre are excluded from the above as the lease is classified as a finance lease. Future minimum lease payments for the Data Centre are disclosed in note 7.

18. INTEREST AND FINANCE COSTS

Interest and finance costs are comprised of the following:

	Year ended December 31,	
	2019	2018
Mortgage interest	\$ 28,106	\$ 25,461
Interest on other debt	15,786	14,849
Amortization of deferred transaction costs	3,854	2,993
Amortization of debt mark-to-market adjustments	(266)	(443)
Subscription receipts equivalent amount ¹	—	1,597
Interest on convertible debentures ²	1,508	1,405
Total	\$ 48,988	\$ 45,862

¹On March 27, 2018 each subscription receipt issued by the REIT on January 26, 2018 was exchanged for one unit and a cash distribution equivalent payment of \$0.125 (being equal to the aggregate amount of distributions paid by the REIT per unit for which record dates occurred between January 26, 2018 and March 27, 2018). The cash distribution equivalent payment of \$1.6 million was recorded in interest and finance costs for the year ended December 31, 2018.

²The convertible debentures pay interest at 5.25%, payments are made semi-annually beginning August 31, 2018. The amount above represents the interest accrued up to and including December 31, 2019.

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19. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised of the following:

	Note	Year ended December 31,	
		2019	2018
Asset management fees	21	\$ 5,432	\$ 5,012
Professional fees		505	707
Trustee fees		446	470
Bad debt expense, net		59	368
Other		1,266	929
Total		\$ 7,708	\$ 7,486

20. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Note	Year ended December 31,	
		2019	2018
Interest rate swaps	12	\$ (3,972)	\$ (3,704)
Net payments made on interest rate swaps	12	1,276	481
Interest rate swap liability assumed by purchaser		(234)	—
Interest rate cap	12	—	(9)
Convertible debenture embedded derivatives	12	22	148
Hedges of net investment in foreign operations	12	(3,264)	(2,033)
Deferred units	15	20	193
Performance payment		178	3,721
Subscription receipts		—	5,751
Foreign exchange forwards ¹		—	(459)
Total change in fair value of financial instruments		(5,974)	4,089
Less: Amounts recognized in other comprehensive income		3,264	(1,688)
Recognized in net income		\$ (2,710)	\$ 2,401

¹During the year ended December 31, 2018, the REIT entered into two forward foreign exchange contract for the purpose of hedging the purchase of 20 South Clark in Chicago, IL. These contracts resulted in a loss of \$0.5 million for the year ended December 31, 2018.

21. RELATED PARTY TRANSACTIONS

The REIT has a management agreement (the "Management Agreement") with Slate Management ULC ("SMULC"), an indirect subsidiary of Slate Asset Management (Canada) L.P. ("SLAM"), (collectively, "Slate"), whereby SMULC as the REIT's manager provides the REIT with the strategic, administrative, property management, leasing, acquisition, financing and construction management services necessary to manage the strategy and day-to-day operations of the REIT and its assets.

SMULC held the following interests in the REIT:

	December 31, 2019	December 31, 2018
REIT units	1,687,251	1,687,251
Class B LP units	5,285,160	5,285,160
Total	6,972,411	6,972,411
Economic interest	9.5%	9.3%

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The Management Agreement provides for the following fees:

Type	Basis
Property management	3% of gross revenue ¹
Asset management	0.3% of gross book value ²
Leasing	5% on new leases, 2% on renewals ³
Financing	0.25% of debt financed
Construction	5.0% of costs
Acquisition	Variable ⁴

¹Gross revenue is defined as all revenues received by and/or on behalf of the REIT from the leasing and/or licensing of the the REIT's properties.

²Gross book value is defined as the book value of the REIT's assets as shown on the previous quarter's consolidated financial statements, less restricted cash.

³Leasing fees are charged to the REIT net of any third party brokerage fees paid to leasing agents retained by the REIT. No fee is charged to the REIT where such third party fees are equal to or greater than the lease fee payable to Slate.

⁴Acquisition fees are 1.0% on the first \$100 million of acquisitions; 0.75% on the next \$100 million of acquisitions and 0.50% for acquisitions in excess of \$200 million.

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

Fees payable during the period to SMULC and SLAM for services provided were as follows:

	Year ended December 31,	
	2019	2018
Property management	\$ 6,404	\$ 5,885
Asset management	5,432	5,012
Leasing, financing and construction management	4,052	2,612
Acquisition	—	3,302
Total	\$ 15,888	\$ 16,811

Property administration fees are generally recoverable under the tenants' leases relating to assets or resources of the Manager that are directly attributable to the management of the REIT's properties. Property administration fees were \$10.4 million for the year ended December 31, 2019 (December 31, 2018 – \$10.0 million). Administrative fees are recovered from most tenants by the REIT in accordance with the terms of the leases, whereas property management fees payable by the REIT to the Manager are determined in accordance with the Management Agreement. The REIT entered into an agreement to lease approximately 6,000 square feet of office space to Slate at one of its properties for a term of 10 years, commencing November 1, 2019.

As part of the REIT's acquisition of the 7 Asset Portfolio from SCREO I L.P., the REIT was provided an income supplement in the aggregate amount of \$2.4 million to be received in equal quarterly installments in each of the eight calendar quarters following the acquisition, ending in the first quarter of 2020. The income supplement is recorded as an other asset on the consolidated statements of financial position at amortized cost. During the year ended December 31, 2019, the REIT recorded \$51 thousand as interest income in the consolidated statements of income.

The following are the assets and liabilities included in the consolidated statements of financial position of the REIT related to SMULC, SLAM and SCREO I L.P.:

	December 31, 2019	December 31, 2018
Income supplement receivable	\$ 296	\$ 1,445
Accounts receivable	545	533
Accounts payable and accrued liabilities	(843)	(765)
Class B LP units	(30,918)	(31,552)

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22. FAIR VALUES

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

The following categories in the fair value hierarchy reflect the significance of inputs used in determining fair values:

- Level 1: Quoted prices in active markets;
- Level 2: Inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3: Valuation technique for which significant inputs are not based on observable market data.

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

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

December 31, 2019	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Recorded at fair value					
Properties	6	\$ 1,622,085	\$ —	\$ —	1,622,085
Derivatives, net	12	(6,373)	—	(6,373)	—
Class B LP units	13	(30,918)	(30,918)	—	—
Fair values disclosed					
Cash		\$ 6,117	\$ 6,117	\$ —	—
Restricted cash		4,253	4,253	—	—
Debt	10	(1,001,947)	—	(1,012,811)	—

December 31, 2018	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Recorded at fair value					
Properties	6	\$ 1,780,413	\$ —	\$ —	1,780,413
Derivatives, net	12	(4,062)	—	(4,062)	—
Class B LP units	13	(31,552)	(31,552)	—	—
Fair values disclosed					
Cash		\$ 7,192	\$ 7,192	\$ —	—
Restricted cash		3,648	3,648	—	—
Debt	10	(1,175,826)	—	(1,183,018)	—

23. RISK MANAGEMENT

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

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Liquidity risk

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

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

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

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

The following table summarizes the estimated contractual maturities of the REIT's financial liabilities at December 31, 2019:

	Note	Total contractual cash flow	2020	2021-2022	2023-2024	Thereafter
Accounts payable and accrued liabilities	14	\$ 36,215	\$ 36,215	\$ —	\$ —	\$ —
Amortizing principal repayments on debt	10	62,934	12,050	20,416	10,840	19,628
Principal repayments on maturity of debt	10	943,459	171,276	478,876	234,809	58,498
Interest on debt ¹		76,214	34,440	25,984	8,673	7,117
Interest rate swaps ²		5,961	1,089	2,609	1,687	576
Other liabilities	11	6,273	1,675	1,005	772	2,821
Total		\$ 1,131,056	\$ 256,745	\$ 528,890	\$ 256,781	\$ 88,640

¹Interest amounts on floating rate debt have been determined using rates at December 31, 2019.

²Interest rate swap obligations have been calculated as the difference between the pay-fixed rate and receive-float rate based on the forward rates determined at December 31, 2019.

Interest rate risk

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

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

At December 31, 2019, after the impact of interest rate swaps, the REIT had floating rate debt of \$88.2 million (December 31, 2018 – \$581.0 million). The following table presents the annualized impact of a change in floating interest rates of 25 bps on finance costs:

	December 31, 2019	December 31, 2018
Change of 25 bps	\$ 221	\$ 1,453

Credit risk

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

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Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The REIT is exposed to foreign currency risk as it relates to 20 South Clark and 120 South LaSalle, located in Chicago, IL, as well as monetary assets and liabilities denominated in U.S. currency. In order to mitigate a portion of this risk, the REIT has financed its U.S. operations with U.S. dollar denominated debt, acting as a natural hedge. Foreign currency forwards may be used from time-to-time to hedge the REIT's net investment in foreign operations. Refer to notes 12 and 20 for details of the REIT's forward currency transactions.

24. 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 lenders. 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, 2019	December 31, 2018
Debt, net	\$ 1,001,947	\$ 1,175,826
Class B LP units	30,918	31,552
Equity	627,305	611,447
Total	\$ 1,660,170	\$ 1,818,825

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

	December 31, 2019	December 31, 2018
Total assets	\$ 1,709,964	\$ 1,866,729
Less: Restricted cash	(4,253)	(3,648)
Gross book value	1,705,711	1,863,081
Debt, net	\$ 1,001,947	\$ 1,175,826
Leverage ratio	58.7%	63.1%

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

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

25. SEGMENTED DISCLOSURES

The REIT operates in Canada and the United States. The following is a summary of investment property by geographic location:

	December 31, 2019	December 31, 2018
Canada	\$ 1,295,204	\$ 1,451,748
United States	326,881	328,665
Total	\$ 1,622,085	\$ 1,780,413

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The following is a summary of rental revenue and property operating expenses by geographic location:

	Year ended December 31, 2019		
	Canada	United States	Total
Property revenue	\$ 176,284	\$ 41,575	\$ 217,859
Property operating expenses	(91,665)	(23,158)	(114,823)
Net operating income	\$ 84,619	\$ 18,417	\$ 103,036
Straight line rent and other changes			(2,339)
IFRIC 21 property tax adjustment			—
Finance income on finance lease receivable			3,615
Interest income			556
Interest and finance costs			(48,988)
General and administrative			(7,708)
Change in fair value of financial instruments			(2,710)
Change in fair value of properties			32,738
Depreciation of hotel asset			(1,000)
Disposition costs			(12,142)
Deferred income tax recovery			(830)
Net income before Class B LP units		\$	64,228
Change in fair value of Class B LP units			634
Distributions to Class B LP unitholders			(2,421)
Net income		\$	62,441

	Year ended December 31, 2018		
	Canada	United States	Total
Property revenue	\$ 188,831	\$ 20,385	\$ 209,216
Property operating expenses	(98,554)	(11,981)	(110,535)
Net operating income	\$ 90,277	\$ 8,404	\$ 98,681
Straight line rent and other changes			683
IFRIC 21 property tax adjustment			4,371
Finance income on finance lease receivable			3,765
Interest income			264
Interest and finance costs			(45,862)
General and administrative			(7,486)
Change in fair value of financial instruments			2,401
Change in fair value of properties			15,288
Depreciation of hotel asset			(947)
Disposition costs			(2,247)
Deferred income tax recovery			721
Net income before Class B LP units		\$	69,632
Change in fair value of Class B LP units			11,469
Distributions to Class B LP unitholders			(3,964)
Net income		\$	77,137

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26. INCOME TAXES

The Income Tax Act (Canada) contains legislation affecting the tax treatment of specified investment flow-through (“SIFT”) trusts which include publicly-listed income trusts (the “SIFT Rules”). Under the SIFT Rules, certain distributions from a SIFT are not deductible in computing a SIFT’s taxable income, and the SIFT is subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, distributions paid by a SIFT as returns of capital are generally not subject to tax. The SIFT Rules do not apply to a real estate investment trust that meets prescribed conditions relating to the nature of its assets and revenue (the “REIT Conditions”). Instead, a real estate investment trust that meets the REIT Conditions is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the period.

The REIT has reviewed the SIFT Rules and has assessed their application to the REIT’s assets and revenues. While there are uncertainties in the interpretation and application of the SIFT Rules, the REIT believes that it has met the REIT Conditions for the periods ended December 31, 2019 and 2018, and accordingly is not subject to current income taxes in Canada. Accordingly, no provision for current income taxes payable is required, except for amounts incurred by the U.S. subsidiary.

The REIT’s U.S. subsidiary is subject to federal and state income tax on taxable income from U.S. operations. The REIT recognizes deferred tax assets and liabilities at prevailing tax rates when such differences are expected to settle, based on tax laws enacted at the reporting date. The U.S. subsidiary is subject to a combined federal and state rate of 28.51%.

The tax effects of temporary differences related to the REIT’s properties give rise to the recognition of a deferred tax liability in the amount of \$0.1 million. The following is a reconciliation of the deferred tax asset during the period:

	December 31, 2019	December 31, 2018
Beginning of the period	\$ 757	\$ —
Deferred income tax recovery (loss)	(830)	721
Foreign exchange	(19)	36
End of the period	\$ (92)	\$ 757

A reconciliation of the expected income taxes based upon the 2019 statutory rates and the income tax recovery recognized during the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31,	
	2019	2018
Net income before Class B LP units and taxes	\$ 65,058	\$ 68,911
Canadian statutory tax rate	26.5%	26.5%
	17,240	18,261
Income not subject to tax	16,469	18,932
Tax rate differential	(59)	50
Deferred income tax recovery (loss)	\$ (830)	\$ 721

At December 31, 2019 and 2018, the REIT had tax losses carried forward available to reduce future years’ taxable income, which expire as follows:

Year of expiry	December 31, 2019	December 31, 2018
2037	\$ 4,549	\$ 4,549
2038	964	964
Total non-capital losses	5,513	5,513
Total capital losses	—	—

At December 31, 2019, Slate Office US Inc., a subsidiary of Slate Office REIT, had \$3.1M of U.S. federal and state losses carried forward available to reduce future years’ taxable income. These federal losses do not expire, but are limited to 80% of Slate Office US Inc.’s taxable income in a given year.

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27. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in liabilities arising from financing activities for the year ended December 31, 2019 are as follows:

	Cash flows					Non-cash changes				December 31, 2019
	December 31, 2018	Proceeds	Payments	Transaction costs and other	Assump-tions ¹	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs		
Derivatives, net	\$ 4,062	\$ (2,994)	\$ —	\$ —	\$ —	\$ —	\$ 5,305	\$ —	\$ 6,373	
Facilities	322,064	97,645	(135,661)	(150)	—	(3,353)	—	833	281,378	
Mortgages	665,993	134,101	(163,184)	(1,316)	(43,801)	(6,572)	—	1,924	587,145	
Other debt	160,146	—	(54,703)	(698)	—	—	—	841	105,586	
Convertible debentures	27,623	—	—	—	—	—	—	215	27,838	
Class B LP units	31,552	—	—	—	—	—	(634)	—	30,918	
Total	\$ 1,211,440	\$ 228,752	\$ (353,548)	\$ (2,164)	\$ (43,801)	\$ (9,925)	\$ 4,671	\$ 3,813	\$ 1,039,238	

¹Mortgages assumed by purchaser on disposition of a 25% interest in the GTA Office Portfolio.

Changes in liabilities arising from financing activities for the year ended December 31, 2018 are as follows:

	Cash flows					Non-cash changes				December 31, 2018
	December 31, 2017	Proceeds	Payments	Transaction costs and other	Assump-tions	Foreign exchange	Fair value changes	Amortization of MTM adjustments and costs		
Derivatives, net	\$ 538	\$ 2,033	\$ (3,451)	\$ 170	\$ —	\$ —	\$ 4,772	\$ —	\$ 4,062	
Facilities	174,316	184,021	(42,744)	(1,834)	—	7,221	—	1,084	322,064	
Mortgages	501,776	131,195	(53,303)	(1,025)	80,011	6,663	—	676	665,993	
Other debt	119,499	57,631	(16,812)	(768)	—	—	—	596	160,146	
Convertible debentures	—	28,750	—	(1,320)	—	—	—	193	27,623	
Class B LP units	43,021	—	—	—	—	—	(11,469)	—	31,552	
Total	\$ 839,150	\$ 403,630	\$ (116,310)	\$ (4,777)	\$ 80,011	\$ 13,884	\$ (6,697)	\$ 2,549	\$ 1,211,440	

28. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2019:

- i. On each of January 15, 2020 and February 18, 2020, the REIT paid monthly distributions of \$0.0333 per trust unit. Holders of Class B LP units of the REIT were also paid a distribution of \$0.0333 per unit.
- ii. On February 18, 2020, the REIT declared a distribution of \$0.0333 per trust unit, payable on March 16, 2020 to unitholders of record as of the close of business on February 28, 2020. Holders of the Class B LP units of the REIT will also be paid a distribution of \$0.0333 per trust unit.
- iii. On January 22, 2020, the REIT disposed of its 75% interest in 4211 Yonge Street in Toronto, ON for \$47.3 million and used net proceeds to repay debt.
- iv. On February 6, 2020, the REIT entered into a foreign exchange transaction to sell U.S. \$50.0 million at an exchange rate of 1.3295 and purchase Canadian dollars settling March 31, 2020.

