

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2022 AND DECEMBER 31, 2021

(in thousands of Canadian dollars)

	NOTES	DECEMBER 31, 2022	DECEMBER 31, 2021
Assets			
Non-current assets			
Investment properties	5	\$9,669,005	\$9,527,105
Residential inventory	7	187,272	170,980
Investment in joint venture and loan receivable	8	7,089	124,790
Loans and notes receivable	9	174,019	223,456
Other assets	10	56,221	28,185
		\$10,093,606	\$10,074,516
Current assets			
Cash and cash equivalents	22	20,990	22,548
Loan receivable from joint venture	8	113,287	—
Loans and notes receivable	9	258,093	144,306
Accounts receivable, prepaid expenses and deposits	11	65,544	57,061
Investment properties held for sale	5, 6	1,354,830	86,260
		\$1,812,744	\$310,175
Total assets		\$11,906,350	\$10,384,691
Liabilities			
Non-current liabilities			
Debt	12	\$3,864,256	\$3,417,138
Lease liabilities	13	50,851	157,550
Other liabilities	14	43,438	44,635
		\$3,958,545	\$3,619,323
Current liabilities			
Debt	12	346,929	36,146
Accounts payable and other liabilities	14	370,823	303,450
Lease liability held for sale	6, 13	107,215	—
		\$824,967	\$339,596
Total liabilities		\$4,783,512	\$3,958,919
Equity			
Unitholders' equity	16	\$6,581,166	\$6,425,772
Non-controlling interests	16	541,672	—
Total equity		\$7,122,838	\$6,425,772
Total liabilities and equity		\$11,906,350	\$10,384,691

Commitments and Contingencies (note 28)

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



Gordon Cunningham
Trustee



Michael R. Emory
Trustee

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(in thousands of Canadian dollars, except unit and per unit amounts)	NOTES	YEAR ENDED	
		DECEMBER 31, 2022	DECEMBER 31, 2021
Rental revenue	20, 24	\$519,468	\$472,799
Property operating costs	24	(224,260)	(204,792)
Operating income		\$295,208	\$268,007
Interest expense	6, 12 (g)	(72,802)	(114,196)
General and administrative expenses	21	(22,593)	(25,834)
Condominium marketing expenses		(602)	(573)
Amortization of other assets	10	(1,325)	(1,167)
Interest income		32,080	28,023
Fair value (loss) gain on investment properties and investment properties held for sale	5, 6	(73,750)	161,222
Fair value gain on derivative instruments	27 (d)	37,343	16,350
Impairment of residential inventory	7	(15,729)	—
Net loss from joint venture	8	(3,161)	(451)
Net income and comprehensive income from continuing operations		\$174,669	\$331,381
Net income and comprehensive income from discontinued operations	6	\$200,694	\$111,770
Net income and comprehensive income		\$375,363	\$443,151
Net income and comprehensive income attributable to:			
Unitholders' equity		\$368,855	\$443,151
Non-controlling interests		6,508	—
		\$375,363	\$443,151
Net income and comprehensive income per unit	19		
Basic and Diluted		\$2.74	\$3.48
Weighted average number of units	18		
Basic		136,880,675	127,305,384
Diluted		136,904,082	127,455,829

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

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(in thousands of Canadian dollars)	NOTES	ATTRIBUTABLE TO UNITHOLDERS				ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			TOTAL EQUITY
		UNITS	RETAINED EARNINGS	CONTRIB-UTED SURPLUS	UNITHOLD-ERS' EQUITY	EXCHANGE-ABLE LP UNITS	RETAINED EARNINGS	EXCHANGE-ABLE LP UNITS' EQUITY	
Balance at January 1, 2021	16	\$3,884,661	\$2,265,326	\$27,045	\$6,177,032	\$—	\$—	\$—	\$6,177,032
Net income and comprehensive income		—	443,151	—	443,151	—	—	—	443,151
Unit issuance (net of costs)	16	20,079	—	—	20,079	—	—	—	20,079
Distributions		—	(216,521)	—	(216,521)	—	—	—	(216,521)
Unit Option Plan – options exercised	16, 17 (a)	56	—	—	56	—	—	—	56
Contributed surplus – Unit Option Plan	17 (a)	—	—	1,740	1,740	—	—	—	1,740
Restricted Unit Plan (net of forfeitures)	16, 17 (b)	(2,141)	—	2,376	235	—	—	—	235
Balance at December 31, 2021		\$3,902,655	\$2,491,956	\$31,161	\$6,425,772	\$—	\$—	\$—	\$6,425,772

	NOTES	ATTRIBUTABLE TO UNITHOLDERS				ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			TOTAL EQUITY
		UNITS	RETAINED EARNINGS	CONTRIB-UTED SURPLUS	UNITHOLD-ERS' EQUITY	EXCHANGE-ABLE LP UNITS	RETAINED EARNINGS (DEFICIT)	EXCHANGE-ABLE LP UNITS' EQUITY	
Balance at January 1, 2022	16	\$3,902,655	\$2,491,956	\$31,161	\$6,425,772	\$—	\$—	\$—	\$6,425,772
Net income and comprehensive income		—	368,855	—	368,855	—	6,508	6,508	375,363
Unit issuance (net of costs)	16	9,184	—	—	9,184	550,660	—	550,660	559,844
Distributions		—	(223,867)	—	(223,867)	—	(15,496)	(15,496)	(239,363)
Unit Option Plan – options exercised	16, 17 (a)	200	—	—	200	—	—	—	200
Contributed surplus – Unit Option Plan	17 (a)	—	—	876	876	—	—	—	876
Restricted Unit Plan (net of forfeitures)	16, 17 (b)	(2,661)	—	2,807	146	—	—	—	146
Balance at December 31, 2022		\$3,909,378	\$2,636,944	\$34,844	\$6,581,166	\$550,660	\$(8,988)	\$541,672	\$7,122,838

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

ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(in thousands of Canadian dollars)	NOTES	YEAR ENDED	
		DECEMBER 31, 2022	DECEMBER 31, 2021
Operating activities			
Net income for the year		\$375,363	\$443,151
Fair value gain on investment properties and investment properties held for sale	5	(69,182)	(217,557)
Fair value gain on derivative instruments	27 (d)	(37,343)	(16,350)
Payments on settlement of derivative instruments	27 (d)	—	(3,781)
Impairment of residential inventory	7	15,729	—
Interest expense (excluding the impact of capitalization)	12 (g)	79,334	120,145
Interest paid (excluding the impact of capitalization)	5, 7, 13, 22	(77,727)	(113,108)
Interest income		(32,080)	(28,023)
Interest received		21,341	18,688
Net loss from joint venture	8	3,161	451
Amortization of other assets	10	1,325	1,167
Amortization of improvement allowances	5	32,302	32,305
Amortization of straight-line rents	5	(6,825)	(3,682)
Amortization of discount (premium) on debt	12 (g)	1,837	(3,488)
Amortization of lease liabilities	5, 13	155	(428)
Amortization of net financing costs	12 (g)	2,495	3,604
Unit-based compensation expense	17	4,421	4,116
Additions to residential inventory	7	(32,021)	(30,942)
Change in other non-cash operating items	9, 11, 14, 22	38,908	34,846
Cash provided by operating activities		\$321,193	\$241,114
Financing activities			
Repayment of mortgages payable	12 (a)	(16,932)	(648,699)
Proceeds from senior unsecured debentures (net of financing costs)	12 (e)	—	1,093,900
Redemption of senior unsecured debentures	12 (e)	—	(150,000)
Principal payments of lease liabilities	13	(200)	(189)
Distributions paid on Units		(223,312)	(215,918)
Proceeds of Unit issuance (net of issuance costs)	16	9,184	20,079
Proceeds from exercise of Unit options	16, 17 (a)	200	56
Restricted Unit Plan (net of forfeitures)	16, 17 (b)	(2,661)	(2,141)
Proceeds from Unsecured Revolving Operating Facility	12 (d)	545,000	460,000
Repayments of Unsecured Revolving Operating Facility	12 (d)	(470,000)	(155,000)

(in thousands of Canadian dollars)	NOTES	YEAR ENDED	
		DECEMBER 31, 2022	DECEMBER 31, 2021
Proceeds from construction loan	12 (b)	91,029	75,592
Proceeds from unsecured term loan (net of financing costs)	12 (f)	399,300	—
Financing costs		(10)	(836)
Cash provided by financing activities		\$331,598	\$476,844
Investing activities			
Acquisition of investment properties	4	(190,753)	(288,887)
Deposits on acquisitions		(928)	(268)
Additions to investment properties (including capitalized interest)	5, 12 (g)	(398,174)	(428,248)
Net proceeds on disposition of investment properties held for sale	4	74,437	—
Net proceeds on disposition of properties under development	4	15,254	71,592
Net distributions from (contributions to) equity accounted investments	8	1,253	(8,129)
Loans receivable issued to third-parties	8, 9 (a), 22	(58,345)	(47,435)
Proceeds from loans receivable	9 (a)	343	382
Proceeds from notes receivable	9 (b)	22	1,927
Advances on note receivable from holder of Exchangeable LP Units	16	(13,774)	—
Additions to equipment and other assets	10	(859)	(337)
Leasing commissions	5	(20,603)	(16,841)
Improvement allowances	5	(62,222)	(24,678)
Cash used in investing activities		\$(654,349)	\$(740,922)
Decrease in cash and cash equivalents		(1,558)	(22,964)
Cash and cash equivalents, beginning of year		22,548	45,512
Cash and cash equivalents, end of year		\$20,990	\$22,548

Note 22 contains supplemental cash flow information.

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

**ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(in thousands of Canadian dollars, except per unit and unit amounts)

1. NATURE OF OPERATIONS

Allied Properties Real Estate Investment Trust (“Allied”) is a Canadian unincorporated closed-end real estate investment trust created pursuant to the Declaration of Trust dated October 25, 2002, most recently amended May 3, 2022. Allied is governed by the laws of the Province of Ontario and began operations on February 19, 2003. The units of Allied (“Units”) are traded on the Toronto Stock Exchange (“TSX”) and are traded under the symbol “AP.UN”.

The subsidiaries of Allied include Allied Properties Management Trust, Allied Properties Management Limited Partnership, Allied Properties Management GP Limited, Allied Properties Exchangeable Limited Partnership (the “Partnership”), and Allied Properties Exchangeable GP Inc. (the “General Partner”). On March 31, 2022, Allied acquired a portfolio of six properties from Choice Properties Real Estate Investment Trust (“Choice Properties”), which was partially settled with the issuance of 11,809,145 class B exchangeable limited partnership units of the Partnership (“Exchangeable LP Units”). Allied owns 100% of the shares of the General Partner and 100% of the class A LP Units of the Partnership (the “Class A Units”).

Allied is domiciled in Ontario, Canada. The address of Allied’s registered office and its principal place of business is 134 Peter Street, Suite 1700, Toronto, Ontario, M5V 2H2.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in Canadian dollars.

(A) Statement of compliance

The consolidated financial statements of Allied for the years ended December 31, 2022 and 2021, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies set out below were consistently applied to all the years presented unless otherwise noted.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the amounts reported. Allied’s basis for applying judgments, estimates and assumptions to its accounting policies are described in note 2 and 3 below.

The consolidated financial statements for the years ended December 31, 2022 and 2021, were approved and authorized for issue by the Board of Trustees (the “Board”) on January 31, 2023.

(B) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for the following items that were measured at fair value: