Financial Statements

Year ended December 31, 2022

Cominar

Table of Contents

6 **Consolidated Balance Sheets**

7 **Consolidated Statements of Unitholders' Equity**

8 **Consolidated Statements of Comprehensive Income**

9 **Consolidated Statements of Cash Flows**

10 **Notes to Consolidated Financial Statements**

Independent auditor's report

To the Unitholder of Cominar Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cominar Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of unitholders' equity for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
Place de la Cité, Tour Cominar, 2640 Laurier Boulevard, Suite 1700, Québec, Quebec, Canada G1V 5C2
T: +1 418 522 7001, F: +1 418 522 5663

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

a. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
b. 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 Trust's internal control.
c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
d. 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

e. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP[1]

Québec, Québec
February 27, 2023

[1] CPA auditor, public accountancy permit No. A125971

Consolidated Balance Sheets

[in thousands of Canadian dollars]

	Note	December 31, 2022 $	December 31, 2021 $
Assets			
Investment properties			
Income properties	3	**1,988,690**	2,517,447
Properties under development	4	**—**	28,944
Land held for future development	4	**52,700**	29,635
		2,041,390	2,576,026
Investment properties held for sale	5	**312,865**	3,363,500
Investments in joint ventures	6	**13,317**	76,383
Mortgage receivable	7	**10,000**	—
Accounts receivable	8	**17,823**	32,661
Prepaid expenses and other assets		**3,669**	18,230
Cash and cash equivalents		**38,063**	7,604
Total assets		**2,437,127**	6,074,404
Liabilities			
Mortgages payable	9	**775,431**	1,058,049
Mortgages payable related to investment properties held for sale	5, 9	**96,439**	992,785
Debentures	10	**269,916**	871,973
Bank borrowings	11	**—**	537,093
Accounts payable and accrued liabilities	12	**68,516**	131,380
Total liabilities		**1,210,302**	3,591,280
Unitholders' equity			
Unitholders' equity		**1,226,825**	2,483,124
Total liabilities and unitholders' equity		**2,437,127**	6,074,404

See accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees.

(signed) Samir Manji

Samir Manji
Chairman of the Board of Trustees

(signed) Navdeep Gill

Navdeep Gill
President of the Audit Committee

Consolidated Statements of Unitholders' Equity

Years ended December 31
[in thousands of Canadian dollars]

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2022		3,233,486	1,590,967	(2,350,252)	8,923	2,483,124
Net loss and comprehensive loss		—	(95,022)	—	—	(95,022)
Distributions to unitholders	13	—	—	(1,152,844)	—	(1,152,844)
Special distribution in units	13	1,300,000	—	(1,300,000)	—	—
Parent company (IRIS) subscription under the Arrangement[1]	13	2,143,800	—	—	—	2,143,800
Repurchase of units under the Arrangement[1]	13	(4,533,486)	2,389,686	—	—	(2,143,800)
Long-term incentive plan		—	490	—	(8,923)	(8,433)
Balance as at December 31, 2022		**2,143,800**	**3,886,121**	**(4,803,096)**	**—**	**1,226,825**

1 Refer to note 1 for more information on the Arrangement.

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2021		3,233,486	1,783,589	(2,300,990)	8,396	2,724,481
Net loss and comprehensive loss		—	(195,308)	—	—	(195,308)
Distributions to unitholders	13	—	—	(49,262)	—	(49,262)
Long-term incentive plan		—	2,686	—	527	3,213
Balance as at December 31, 2021		3,233,486	1,590,967	(2,350,252)	8,923	2,483,124

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31
[in thousands of Canadian dollars]

	Note	2022 $	2021 $
Operating revenues			
Rental revenue from investment properties	14	**382,010**	658,594
Operating expenses			
Operating costs	17	**(102,980)**	(145,152)
Realty taxes and services		**(86,481)**	(152,067)
Property administrative expenses	17	**(10,846)**	(19,137)
		(200,307)	(316,356)
Net operating income		**181,703**	342,238
Finance charges	18	**(70,298)**	(136,350)
Trust administrative expenses	19	**(32,313)**	(34,709)
Change in fair value of investment properties	3, 4, 5	**(92,561)**	(347,855)
Share in joint ventures' net income (loss)	6	**1,282**	(17,638)
Transaction costs	20	**(83,023)**	(1,052)
Net loss before income taxes		**(95,210)**	(195,366)
Income taxes			
Current		**(14)**	—
Deferred		**202**	58
		188	58
Net loss and comprehensive loss		**(95,022)**	(195,308)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31
[in thousands of Canadian dollars]

	Note	2022 $	2021 $
Operating activities			
Net loss		**(95,022)**	(195,308)
Adjustments for:			
Excess of share of net loss (income) over distributions received from the joint ventures	6	**(1,282)**	21,463
Change in fair value of investment properties	3, 4, 5	**92,561**	347,855
Depreciation and amortization		**4,241**	7,413
Compensation expense related to long-term incentive plan	13	**—**	3,213
Deferred income taxes		**(202)**	(58)
Recognition of leases on a straight-line basis	3, 4, 5	**(64)**	(2,141)
Financing costs and other asset write-offs		**12,542**	—
Changes in non-cash working capital items	21	**(29,372)**	20,052
Cash flows provided by (used in) operating activities		**(16,598)**	202,489
Investing activities			
Investments in income properties	3, 21	**(42,631)**	(129,078)
Investments in properties under development	4, 21	**(3,802)**	(13,883)
Proceeds from the sale of investment properties net of assigned mortgages payable	3, 5	**2,956,542**	68,487
Proceeds from the dissolution of a joint venture	6	**60,390**	—
Proceeds from the disposition of interest in a joint venture	6	**6,265**	—
Contributions to the capital of a joint venture	6	**(2,307)**	(349)
Change in other assets		**821**	1,060
Cash flows provided by (used in) investing activities		**2,975,278**	(73,763)
Financing activities			
Cash distributions to unitholders	13	**(1,152,844)**	(49,262)
Net variation of bank borrowings	11	**(537,093)**	170,135
Financing costs incurred for mortgages payable	9	**(337)**	—
Parent company (IRIS) subscription under the Arrangement [1]	13	**2,049,629**	—
Repurchase of units under the Arrangement [1]	13	**(2,049,744)**	—
Settlement of long term incentive instruments under the Agreement [1]		**(8,923)**	—
Repayments of debentures	10	**(603,985)**	(200,000)
Repayments of mortgages payable	9	**(598,162)**	(6,184)
Monthly repayments of mortgages payable	9	**(26,762)**	(49,405)
Cash flows used in financing activities		**(2,928,221)**	(134,716)
Net change in cash and cash equivalents		**30,459**	(5,990)
Cash and cash equivalents, beginning of year		**7,604**	13,594
Cash and cash equivalents, end of year		**38,063**	7,604
Other information			
Interest paid		**67,782**	135,680
Cash distributed by a joint venture	6	**—**	3,825

1 Refer to note 1 for more information on the Arrangement.

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2022 and 2021
[in thousands of Canadian dollars]

1) Description of the Trust

Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT") is an unincorporated trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Quebec. As at December 31, 2022, Cominar owned and managed a real estate portfolio of 68 properties that covered a total area of approximately 11.9 million square feet in the Province of Québec and in Ottawa, Ontario.

The head office of Cominar is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 750, Québec City, Quebec, Canada, G1V 0C1. Additional information about the Trust is available on Cominar's website at www.cominar.com.

The Board of Trustees approved Cominar's consolidated financial statements on February 27, 2023 .

The Arrangement
On March 1, 2022, Cominar announced the closing of a transaction pursuant to which all of Cominar's then issued and outstanding units (the "Units") were acquired under a plan of arrangement for $11.75 per Unit in cash by a consortium, Iris Acquisition II LP ("IRIS"), composed of an affiliate of Canderel Management Inc., FrontFour Capital Group LLC, Artis Real Estate Investment Trust ("Artis"), partnerships managed by Sandpiper Group, and Koch Real Estate Investments, LLC ("KREI"), with KREI and Artis also providing preferred equity (the "Arrangement").

As part of the Arrangement, an affiliate of Mach Capital Inc. acquired certain of the REIT's office and retail properties and an affiliate of Blackstone Real Estate Services L.L.C. acquired most of the REIT's industrial portfolio.

As part of the Arrangement, Cominar's existing trustees resigned and were replaced by Alex Avery, Renzo Barazzuol, Navdeep Gill, Stephen Loukas, Samir Manji, Brett Miller, Ben Rodney, Ryan Ross and Jonathan Wener.

As a result of the completion of the Arrangement, the Units were delisted from the Toronto Stock Exchange at the close of trading on March 2, 2022.

2) Significant Accounting Policies

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies and application methods thereof have been consistently applied throughout each of the fiscal years presented in these consolidated financial statements.

b) Basis of preparation

Consolidation
These consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries.

Use of estimates, assumptions and judgments
The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results that could differ materially from those estimates, assumptions and judgments, are described below:

- ***Investment properties***
  Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using valuations from internal and independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as definitive agreements to sell investment properties. Techniques used include the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates, and the direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates.

- ***Provision for expected credit losses***
  Cominar's provision for expected credit losses includes estimates of the uncertainty of the recoverability of rents related to tenants and for the uncertainty of the recoverability of all other trade receivables.

- ***Joint arrangements***
  Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

Investment properties
An investment property is an immovable property held by Cominar to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment properties include income properties, properties under development and land held for future development.

Cominar presents its investment properties based on the fair value model. Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in profit or loss in the period in which it arises. The fair value of investment properties should reflect market conditions at the end of the reporting period. Fair value is time-specific as at a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from internal and independent appraisers valuations or according to definitive agreements to sell investment properties. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as stabilized net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment properties.

Properties under development in the construction phase are measured at cost until their fair value can be reliably determined, usually when development has been completed. The fair value of land held for future development is based on recent prices derived from comparable market transactions.

Capitalization of costs
Cominar capitalizes into investment properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For construction, expansion or major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying amount of investment properties when incurred, and are not amortized subsequently.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and when it undertakes activities that are necessary to prepare these properties for their intended use. Cominar ceases capitalizing borrowing costs when the asset is ready for management's intended use.

When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

Tenant inducements
Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

Investment properties held for sale
Investment properties held for sale are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Investment properties held for sale continue to be measured using the fair value model.

Financial instruments
Cominar groups its financial instruments into classes according to the purpose for which they were acquired and to their characteristics. Management determines such classification upon initial measurement, which is usually at the date of acquisition.

Cominar uses the following classifications for its financial instruments:

- Cash and cash equivalents, accounts receivable and mortgage receivable are classified as "Financial assets at amortized cost." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.

- Mortgages payable, debentures, bank borrowings, and accounts payable and accrued liabilities are classified as "Financial liabilities at amortized cost." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be financing activities.

Deferred financing costs
Issue costs incurred to obtain term loan financing, typically through mortgages payable or debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Financing costs related to credit facilities are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the credit facility.

Revenue recognition
Management has determined that all leases concluded between Cominar and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on Cominar’s consolidated balance sheet under investment properties. Leases generally provide for the tenants’ payment of maintenance expenses for common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Contingent rents are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

Income taxes
Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to its sole unitholder and to deduct such distributions and allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Cominar’s subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the Income Tax Act (Canada) and the taxation acts of the provinces concerned. These subsidiaries account for their taxes payable or recoverable at the current enacted tax rates and use the asset and liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

Segment information
Segment information is determined based on internal reports that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to the segment and assessing its performance. Cominar's segments are managed by use of properties.

3) Income Properties

Years ended December 31		2022	2021
	Note	$	$
Balance, beginning of year		**2,517,447**	6,077,025
Change in fair value		**(64,766)**	(330,914)
Capital costs		**35,976**	120,881
Dispositions		**(16,000)**	—
Net transfer to investment properties held for sale	5	**(485,378)**	(3,360,350)
Change in initial direct costs		**1,753**	8,614
Recognition of leases on a straight-line basis		**(342)**	2,191
Balance, end of year		**1,988,690**	2,517,447

Change in Fair Value of Investment Properties

Cominar opted to present its investment properties in the consolidated financial statements according to the fair value model. Fair value is determined based on valuations performed using internal and independent real estate appraisers, or according to definitive agreements to sell investment properties. External valuations were carried out by independent national firms holding a recognized and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

Here is a description of methods and the key assumptions used:

Discounted cash flow method - Under this method, the expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and terminal capitalization rates are estimated using available appraisals market comparable and market surveys.

Direct capitalized net operating income method - Under this method, overall capitalization rates are applied to stabilized net operating income in order to comply with current valuation standards. The stabilized net operating income represents adjusted net operating income for items such as management expenses, occupancy rates, the recognition of leases on a straight-line basis and other non recurring items. Cominar regularly receives publications from national firms about real estate activity and trends.

Cominar has determined that an increase or decrease in 2022 of 0.1% in the applied capitalization rates for the entire real estate portfolio, excluding for the investment properties held for sale, would result in a decrease or increase of approximately $31,589 [$111,000 in 2021] in the fair value of its investment properties.

During the year 2022, Cominar revalued its entire real estate portfolio using internal and external valuations, as well as definitive agreements to sell investment properties, and determined that a net decrease of $92,561 was necessary to adjust the carrying amount of investment properties to fair value [decrease of $347,855 in 2021]. The change in fair value related to investment properties held as at December 31, 2022 amounts to a net decrease of $73,523 [net decrease of $362,650 in 2021]. The fair value of investment properties reassessed at the end of 2022 from external valuations, as well as definitive agreements to sell investment properties, represented 100% (86% in 2021) of all investment properties fair value.

Capitalization and discount rates used in both the internal and external valuations are consistent with each other.

Weighted Average Overall Capitalization Rates, Discount Rates and Terminal Capitalization Rates

	2022[1]		2021 [1]	
	Range	Weighted average	Range	Weighted average
Office and mixed-use properties				
Direct capitalized net operating income method				
Overall capitalization rate	**3.8% - 8.0%**	**5.5 %**	4.5% - 7.5%	5.6 %
Discounted cash flow method				
Discount rate	**4.8% - 9.0%**	**6.5 %**	5.6% - 8.8%	6.6 %
Terminal capitalization rate	**4.3% - 8.3%**	**5.8 %**	5.0% - 7.8%	5.9 %
Retail properties				
Direct capitalized net operating income method				
Overall capitalization rate	**5.6% - 8.0%**	**6.8 %**	5.2% - 8.3%	6.6 %
Discounted cash flow method				
Discount rate	**6.6% - 9.0%**	**7.8 %**	6.2% - 9.3%	7.4 %
Terminal capitalization rate	**5.9% - 8.3%**	**7.1 %**	5.4% - 8.5%	6.8 %
Industrial and flex properties				
Direct capitalized net operating income method				
Overall capitalization rate	**N/A**	**N/A**	6.0% - 7.3%	6.8 %
Discounted cash flow method				
Discount rate	**N/A**	**N/A**	7.0% - 8.3%	7.8 %
Terminal capitalization rate	**N/A**	**N/A**	6.3% - 7.5%	7.0 %
Total				
Direct capitalized net operating income method				
Overall capitalization rate		**6.2 %**		6.1 %
Discounted cash flow method				
Discount rate		**7.2 %**		7.0 %
Terminal capitalization rate		**6.5 %**		6.3 %

1 December 31, 2022 and 2021 weighted average overall capitalization rates, discount rates and terminal capitalization rates shown in this table are based on income properties internal and external valuations for properties held at each year-end respectively.

4) Properties Under Development and Land Held for Future Development

Years ended December 31	Note	2022 $	2021 $
Balance, beginning of year		**58,579**	114,225
Change in fair value		**(89)**	(16,364)
Capital costs		**1,506**	10,682
Disposition		**—**	(5,500)
Transfers to investment properties held for sale	5	**(7,867)**	(48,047)
Capitalized interests		**571**	3,570
Change in initial direct costs		**—**	13
Balance, end of year		**52,700**	58,579
Breakdown:			
Properties under development		**—** [1]	28,944
Land held for future development		**52,700**	29,635

1 After the Arrangement, development projects had to be reassessed to better suit Cominar's new strategy, therefore projects have been put on hold and have been reclassified as land held for future development

5) Investment Properties Held for Sale

Cominar has engaged in a process to sell certain investment properties and expects to close these transactions within the next few months.

During the year ended December 31, 2022, Cominar transferred 41 income properties and 2 land parcels held for future development totaling $493,245 to investment properties held for sale. These properties were actively marketed for sale or under conditional sale agreements.

As at December 31, 2022, Cominar had 29 properties and 1 land parcel held for sale totaling $312,865.

Years ended December 31		2022				2021
	Note	Office and mixed-use properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties held for sale						
Balance, beginning of year		**840,822**	**434,678**	**2,088,000**	**3,363,500**	20,990
Net transfer from income properties	3	**399,950**	**85,428**	**—**	**485,378**	3,360,350
Transfers from properties under development and land held for future development	4	**1,900**	**5,967**	**—**	**7,867**	48,047
Capitalized costs [1]		**8,152**	**3,722**	**(165)**	**11,709**	577
Change in fair value		**(20,064)**	**(7,807)**	**165**	**(27,706)**	(577)
Dispositions [2]		**(966,760)**	**(473,123)**	**(2,088,000)**	**(3,527,883)**	(65,887)
Balance, end of year		**264,000**	**48,865**	**—**	**312,865**	3,363,500

1 Includes $406 ($0 in 2021) of recognition of leases on a straight-line basis.
2 Refer to note 1 for more information on the Arrangement.

Years ended December 31		2022				2021
	Note	Office and mixed-use properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Mortgages payable related to investment properties held for sale						
Balance, beginning of year		**329,601**	**224,787**	**438,397**	**992,785**	—
Transfer of mortgages payable related to (from) investment properties held for sale		**142,333**	**3,303**	**(4,918)**	**140,718**	992,785
Monthly repayments of principal		**(2,814)**	**(1,730)**	**(2,410)**	**(6,954)**	—
Repayments of balances		**(35,507)**	**(3,274)**	**(431,069)**	**(469,850)**	—
Mortgages payable assumed by the purchaser[1]	9	**(337,174)**	**(223,086)**	**—**	**(560,260)**	—
Balance, end of year		**96,439**	**—**	**—**	**96,439**	992,785

1 Refer to note 1 for more information on the Arrangement.

6) Investments in Joint Ventures

December 31			2022	2021
Joint ventures	Address	City/province	Ownership interest	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Québec	—[1]	75%
Société en commandite Marais	Du Marais Street	Québec, Québec	**75%**	75%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Québec	—[2]	50%
Société en commandite Terrains Centropolis	Centropolis	Laval, Québec	**50%**	50%

1 Société en commandite Complexe Jules-Dallaire sold its property and was subsequently liquidated and dissolved as part of the Arrangement on March 1, 2022
2 Cominar sold its 50% partnership interest in Société en commandite Bouvier-Bertrand on April 27, 2022

The business objective of these joint ventures is the ownership, management and development of real estate projects.

The following table summarizes the financial information on the investments in these joint ventures accounted for under the equity method:

Years ended December 31	2022	2021
	$	$
Investments in joint ventures, beginning of year	**76,383**	97,497
Contributions to the capital of the joint ventures	**2,307**	349
Share of joint ventures' net income (loss) and comprehensive income (loss)	**1,282**	(17,638)
Cash distributions by a joint venture	**—**	(3,825)
Dissolution of a joint venture	**(60,390)**	—
Disposition of interest in a joint venture	**(6,265)**	—
Investments in joint ventures, end of year	**13,317**	76,383

The following tables summarize the joint ventures' net assets and net income (loss) as well as Cominar's proportionate share:

	Joint ventures		Cominar's proportionate share	
December 31	2022	2021	2022	2021
	$	$	$	$
Income properties	**—**	41,200	**—**	20,600
Properties under development	**17,957**	14,683	**8,979**	7,341
Land held for future development	**7,000**	8,487	**5,250**	6,288
Investment properties held for sale	**—**	166,000	**—**	124,500
Other assets	**187**	1,947	**95**	1,249
Mortgages payable	**—**	(34,021)	**—**	(17,011)
Mortgages payable related to investment properties held for sale	**—**	(85,695)	**—**	(64,271)
Bank borrowings	**—**	(1,556)	**—**	(778)
Other liabilities	**(2,010)**	(2,353)	**(1,007)**	(1,535)
Net assets of joint ventures	**23,134**	108,692	**13,317**	76,383

Years ended December 31	Joint Ventures		Cominar's proportionate share	
	2022	2021	2022	2021
	$	$	$	$
Operating revenues	**4,709**	23,108	**3,145**	16,244
Operating expenses	**(2,251)**	(10,483)	**(1,481)**	(7,305)
Net operating income	**2,458**	12,625	**1,664**	8,939
Finance charges	**(1,382)**	(5,260)	**(768)**	(3,710)
Administrative expenses	**(81)**	(99)	**(41)**	(52)
Change in fair value	**1,736**	(30,539)	**475**	(22,815)
Transaction costs	**(226)**	—	**(48)**	—
Net income (loss)	**2,505**	(23,273)	**1,282**	(17,638)

7) Mortgage Receivable

As at December 31, 2022, the second ranking mortgage receivable of $10,000 bears interest at 4.5%, shall be reimbursed at the latest in October 2026 and is subject to certain covenants. The accrued interests are payable monthly.

8) Accounts Receivable

December 31		2022	2021
	Note	$	$
Trade receivables		**12,028**	20,354
Provision for expected credit losses	15	**(4,017)**	(4,272)
		8,011	16,082
Other receivables and accrued income		**9,812**	16,579
Total		**17,823**	32,661

9) Mortgages Payable

Years ended December 31		2022		2021	
	Note	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year		**2,059,632**	**3.53 %**	2,115,221	3.54 %
Monthly repayments of principal		**(26,762)**	**— %**	(49,405)	— %
Repayments of balances [1]		**(598,162)**	**3.35 %**	(6,184)	5.56 %
Mortgages payable assumed by the purchasers [1]	5	**(560,260)**	**3.39 %**	—	— %
		874,448	**3.63 %**	2,059,632	3.53 %
Less: Deferred financing costs		**(2,578)**		(8,798)	
Balance, end of year [2]		**871,870**		2,050,834	

1 Refer to note 1 for more information on the Arrangement
2 As at December 31, 2022, includes $96,439 in mortgages payable related to the investment properties held for sale ($992,785 as at December 31, 2021)

Contractual maturities of mortgages payable are as follows as at December 31, 2022:

Years ended December 31	Repayment of principal $	Balances at maturity $	Total $
2023	17,263	239,983	**257,246**
2024	17,094	102,121	**119,215**
2025	13,775	—	**13,775**
2026	12,627	47,806	**60,433**
2027	12,705	54,468	**67,173**
2028 and thereafter	25,751	330,855	**356,606**
Total	**99,215**	**775,233**	**874,448**

Mortgages payable are secured by immovable hypothecs on investment properties with a book value of $1,480,160 [$3,495,960 as at December 31, 2021]. As at December 31, 2022, they bear annual contractual interest rates ranging from 3.10% to 4.19% [2.31% to 5.41% as at December 31, 2021], representing a weighted average contractual rate of 3.63% [3.53% as at December 31, 2021], and mature at various dates from February 2023 to December 2031. As at December 31, 2022, the weighted average effective interest rate was 3.75% [3.83% as at December 31, 2021].

As at December 31, 2022, all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include restrictive covenants, with which Cominar was in compliance as at both December 31, 2022 and December 31, 2021.

10) Debentures

Years ended December 31	2022		2021	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year	**875,000**	**4.57 %**	1,075,000	4.51 %
Repayments	**(607,025)**	**4.25 %**	(200,000)	4.25 %
Premium on exercise of optional put right	**3,040**	**— %**	—	— %
	271,015	**5.23 %**	875,000	4.57 %
Less: Deferred financing costs	**(1,099)**		(3,027)	
Balance, end of year	**269,916**		871,973	

The following table presents characteristics of outstanding debentures as at December 31, 2022:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at December 31, 2022 ($)
Series 10	May 2016	4.25 %	4.34 %	May 2023	**71,097**
Series 11	May 2019	4.50 %	4.82 %	May 2024	**50,787**
Series 12	May 2020	5.95 %	6.24 %	May 2025	**149,131**
		5.23 %	**5.48 %**		**271,015**

On March 15, 2022, Cominar early redeemed its Series 9 senior unsecured debentures totaling $300,000 and bearing interest at 4.25% using its cash on hand following the Arrangement. Cominar paid $1,952 in yield maintenance fees in connection with the redemption.

During March 2022, holders of $153,900 of the Series 10 debentures, $149,200 of the Series 11 debentures and $900 of the Series 12 debentures exercised their optional right, following completion of the Arrangement, to require the REIT to repurchase their debentures for a purchase price of 101% of the aggregate principal amount thereof, which repayments were made by the REIT on April 19, 2022. The total amount paid to such debentureholders for these repurchases was $307,025.

The debentures, under the trust indenture, contain restrictive covenants, with which Cominar was in compliance as at December 31, 2022 and 2021.

11) Bank Borrowings

As at December 31, 2021, Cominar had a revolving unsecured credit facility of $167,000 which was set to mature in April 2022 and a $150,000 secured revolving credit facility which was set to mature in April 2023. Cominar also had a non-revolving secured credit facility of $167,400 which was set to mature in September 2023 and a non-revolving secured credit facility of $120,000 which was set to mature in September 2022.

On January 14, 2022, Cominar entered into a three-month agreement for a new unsecured credit facility of up to $175,000 which was set to mature in March 2022 and bearing interest at the prime rate plus 175 basis points or at the bankers' acceptance rate plus 275 basis points. The purpose of this facility was the repayment of the $128,200 mortgage on a specific property expired on January 15, 2022 and the financing of general corporate expenses until the closing of the Arrangement.

On March 1, 2022, Cominar repaid and terminated all of its credit facilities using the net balance received in connection with the Arrangement.

Cominar has provided a secured guarantee of the obligations of IRIS, as borrower, under a credit agreement dated March 1, 2022 maturing March 1, 2023 (the "Credit Facility") with, among others, the Bank of Montreal as administrative agent and lender. As at December 31, 2022 there was $174,064 outstanding on the Credit Facility. There are certain covenants under the Credit Facility, which IRIS was in compliance with as at December 31, 2022.

12) Accounts Payable and Accrued Liabilities

December 31	2022	2021
	$	$
Trade accounts payable	**401**	6,041
Accrued interest payable	**6,315**	11,476
Prepaid rent and tenants' deposits	**11,378**	25,344
Other accounts payable and accrued expenses	**48,062**	84,445
Commodity taxes and other non-financial liabilities	**2,360**	4,074
Total	**68,516**	131,380

13) Issued and Outstanding Units

As at December 31, 2022 ownership interests in Cominar were represented by a single class of units, redeemable, unlimited in number. These units represented a unitholder's undivided and proportionate ownership interest in Cominar. Each unit conferred the right to vote any meeting and to participate equally and rateably in all Cominar distributions. All issued units are fully paid. See "28. Subsequent Events" for information about the ownership interests in Cominar following December 31, 2022.

Years ended December 31	2022		2021	
	Units	$	Units	$
Units issued and outstanding, beginning of year	182,451,026	3,233,486	182,451,026	3,233,486
Special distribution in units net of units consolidation impact, described below	–	1,300,000	–	–
Parent company (IRIS) subscription under the Arrangement[1,2]	182,451,027	2,143,800	–	–
Repurchase of units under the Arrangement[1]	(182,451,026)	(4,533,486)	–	–
Units issued and outstanding, end of year	**182,451,027**	**2,143,800**	182,451,026	3,233,486

1 Refer to note 1 for more information on the Arrangement
2 As at December 31, 2022, the parent company subscription under the Arrangement consisted of $2,049,744 paid in cash and $94,056 of rollover units

Long Term Incentive Plan

As part of the Arrangement, all then outstanding performance units, deferred units and restricted units of the REIT were exchanged by the REIT for cash consideration equal to $11.75 per Unit. All outstanding options were cancelled for no consideration as the exercise price for all options was greater than $11.75.

Distributions to Unitholders

Cominar is governed by a Contract of Trust dated as of March 31, 1998, as amended or amended and restated from time to time. The trustees of the REIT intend to distribute Cominar's distributable income to its sole unitholder. Distributable income generally means net income determined in accordance with IFRS, before adjustments to fair value, transaction costs, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs, gains on the disposition of investment properties, changes to goodwill and certain other items not affecting cash, if applicable.

Years ended December 31	2022	2021
	$	$
Cash distributions to unitholders prior to the Arrangement[1]	**8,210**	49,262
Cash distributions per unit prior to the Arrangement[1]	**0.045**	0.27
Cash distributions to parent company (IRIS)	**1,144,634**	—

1 Refer to note 1 for more information on the Arrangement.

On March 1, 2022, as part of the Arrangement, Cominar declared and paid a special distribution (of an aggregate of $1,300,000) payable by the issuance of units. Immediately after this special distribution, the then issued and outstanding units were consolidated to ensure that the number of outstanding units after the payment of such special distribution remains the same as that immediately before such special distribution.

During the year ended December 31, 2022, Cominar received $1,325,275 from the parent company (IRIS) subscription receivable and used it, along with the property dispositions net proceeds, to declare and pay $1,144,634 in cash distributions to such parent company (IRIS).

14) Operating Revenues

	Office and mixed-used properties	Retail properties	Industrial and flex properties	Total of operating revenues
Year ended December 31, 2022	$	$	$	$
Lease revenues	153,837	157,426	26,254	337,517
Parking revenues	10,448	413	—	10,861
Revenues from other services [1]	14,972	17,014	1,646	33,632
Total	**179,257**	**174,853**	**27,900**	**382,010**

1 Revenues from other services are estimated based on operating costs billable to tenants.

	Office properties	Retail properties	Industrial and flex properties	Total of operating revenues
Year ended December 31, 2021	$	$	$	$
Lease revenues	229,181	218,302	157,671	605,154
Parking revenues	10,201	383	64	10,648
Revenues from other services [1]	16,916	19,491	6,385	42,792
Total	256,298	238,176	164,120	658,594

1 Revenues from other services are estimated based on operating costs billable to tenants.

15) Expected credit losses

Cominar records the expected credit losses to comply with IFRS 9's simplified approach for amounts receivable where its provision for expected credit losses is measured at initial recognition and throughout the life of the receivables at an amount equal to lifetime expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented in operating costs within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

On that basis, the provision for expected credit losses as at December 31, 2022 and December 31, 2021 was determined as follows:

December 31, 2022	Less than 30 days past due	More than 30 days past due	More than 120 days past due	Total
Expected loss rate	10.66 %	26.32 %	39.67 %	
Gross carrying amount - trade receivables	1,426	2,553	8,049	12,028
Provision for expected credit losses	152	672	3,193	4,017

December 31, 2021	Less than 30 days past due	More than 30 days past due	More than 120 days past due	Total
Expected loss rate	4.00 %	15.00 %	46.55 %	
Gross carrying amount - trade receivables	5,869	8,577	5,908	20,354
Provision for expected credit losses	235	1,287	2,750	4,272

The reconciliation of changes in the provision for expected credit losses on accounts receivable is included in the following table:

Years ended December 31	2022 $	2021 $
Balance, beginning of year	**4,272**	13,635
Net provision (reversal) recognized as expense	**3,435**	(2,786)
Tenant receivables written off during the year	**(3,690)**	(6,577)
Balance, end of year	**4,017**	4,272

The following tables present the expected credit losses recognized during the years :

Years ended December 31	2022 $	2021 $
Expected credit losses (reversal) on trade receivables	**3,435**	(2,786)
Expected credit losses (reversal) - rent reductions	**(555)**	6,418
Expected credit losses expensed	**2,880**	3,632

Years ended December 31	2022	2021
	$	$
Office and mixed-use	**665**	38
Retail	**1,772**	4,324
Industrial and flex	**443**	(730)
Expected credit losses expensed	**2,880**	3,632
Percentage of operating revenues	**0.8 %**	0.6 %

16) Operating Lease Income

a) The future minimum lease payments from tenants are as follows:

December 31	$
2023	**168,969**
2024	**149,046**
2025	**128,375**
2026	**107,501**
2027	**93,738**
2028+	**487,667**

b) Contingent rents included in revenues are as follows:

Years ended December 31	2022	2021
	$	$
Contingent rents	**8,282**	8,350

17) Operating Costs and Property Administrative Expenses

The following table presents the main components of operating costs and property administrative expenses based on their nature:

Years ended December 31	2022	2021
	$	$
Repairs and maintenance	**44,358**	58,493
Energy	**28,818**	45,010
Salaries and related costs	**22,435**	37,022
Expected credit losses	**2,880**	3,632
Other expenses	**15,335**	20,132
Total	**113,826**	164,289

18) Finance Charges

Years ended December 31	2022	2021
	$	$
Interest on mortgages payable	**39,499**	74,515
Interest on debentures	**26,076**	47,807
Interest on bank borrowings	**2,520**	13,717
Amortization of deferred financing costs and other costs	**3,998**	6,044
Less: Capitalized interest[1]	**(1,795)**	(5,733)
Total	**70,298**	136,350

1 Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time. The weighted average interest rate used in 2022 was 4.43% [3.93% in 2021].

19) Trust Administrative Expenses

Years ended December 31	2022	2021
	$	$
Salaries and other benefits	**12,109**	10,801
Incentive and bonus program	**175**	—
Compensation related to the long-term incentive plan	**—**	3,213
Professional fees	**5,332**	1,491
Public company costs	**269**	803
Strategic alternatives consulting fees	**—**	17,832
Asset management fees	**13,944**	—
Other expenses	**484**	569
Total	**32,313**	34,709

20) Transaction Costs

Years ended December 31	2022	2021
	$	$
Banker and professional fees	**29,460**	390
Closing adjustments	**17,652**	5
Compensation, severances, retention bonuses and other related costs	**19,512**	—
Financing costs and other asset write-offs	**11,325**	657
Penalties on debt repayments	**3,023**	—
Others	**2,051**	—
Total	**83,023**	1,052

Transaction costs for the year ended December 31, 2022 were incurred as a result of the Arrangement or as a result of the reassessment of the transaction costs related to the Arrangement and as a result of the dispositions that occurred in the year.

21) Supplemental Cash Flow Information

Years ended December 31	2022	2021
	$	$
Accounts receivable	**14,357**	22,055
Prepaid expenses and other assets	**8,040**	(5,783)
Accounts payable and accrued liabilities	**(51,769)**	3,780
Changes in non-cash working capital items	**(29,372)**	20,052
Other information		
Accounts payable and accrued liabilities relating to investing activities	**9,763**	13,709
Accounts receivable relating to investing activities	**1,548**	4,448

22) Related Party Transactions

Since March 1, 2022, Cominar has been a 100% owned subsidiary of IRIS (refer to note 1 for more information).

In connection with their investment in Iris, certain affiliates of IRIS created a joint venture to provide asset management services to Cominar. This entity is a related party to Cominar by virtue of common joint control.

During the year ended December 31, 2022, Cominar entered into transactions with such entities, then related companies, in the normal course of business and/or as part of the Arrangement, the details of which are as follows:

Years ended December 31		2022	2021
	Note	$	$
Parent company (IRIS) subscription under the Arrangement[1]	13	**2,143,800**	–
Reimbursement of the subscription receivable from parent company (IRIS)	13	**1,630,901**	–
Cash distributions to parent company (IRIS)	13	**1,144,634**	–
Asset management fees to a joint venture under common control [2]		**12,922**	–
Professional fees to a Company controlled by a member of the Board of Trustees		**1,658**	–

1 Refer to note 1 for more information on the Arrangement
2 Includes reimbursement of expenses of $7,920

		December 31, 2022	December 31, 2021
	Note	$	$
Accounts payable – joint venture under common control		**500**	–
Accounts payable – company controlled by a member of the Board of Trustees		**225**	–

23) Key Management Personnel Compensation

Compensation of key management personnel is set out in the following table:

Years ended December 31	2022	2021
	$	$
Short-term benefits	**4,441**	5,042
Contribution to the retirement savings plans	**48**	151
Long-term incentive plan	**—**	1,289
Severance allowances	**8,321**	–
Total	**12,810**	6,482

24) Capital Management

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development. Cominar's capital consists of cash and cash equivalents, long-term debt and unitholders' equity.

Cominar's capitalization is based on expected business growth and changes in the economic environment. It is not subject to any capital requirements imposed by regulatory authorities.

Cominar's capitalization is as follows:

December 31	2022	2021
	$	$
Cash and cash equivalents	**(38,063)**	(7,604)
Mortgages payable	**871,870**	2,050,834
Debentures	**269,916**	871,973
Bank borrowings	**—**	537,093
Unitholders' equity	**1,226,825**	2,483,124
Total	**2,330,548**	5,935,420
Debt ratio [1]	**46.0 %**	56.9 %
Interest coverage ratio [2]	**3.73:1**	2.24:1

1 The debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable and debentures, divided by total assets less cash and cash equivalents.
2 The interest coverage ratio is equal to net operating income (operating revenues less operating expenses) less Trust administrative expenses divided by finance charges (excluding finance charges related to mortgages repayments before maturity and yield maintenance fees and costs paid in relation to senior unsecured debenture redemption).

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the carrying amount of its assets (65% if convertible debentures are outstanding). As at December 31, 2022, Cominar had maintained a debt ratio of 46.0% and was complying with the Contract of Trust.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt from operating revenues. As such, for the year ended December 31, 2022, the interest coverage ratio was 3.73:1, reflecting Cominar's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

25) Fair Value

Cominar uses a three-level hierarchy to classify its fair value measurements. The hierarchy reflects the relative weight of inputs used in the valuation. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

Cominar's policy is to recognize transfers between hierarchy levels on the date of changes in circumstances that caused the transfer. There were no transfers made between hierarchy levels during the fiscal years 2022 and 2021.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and bank borrowings approximates the carrying amount since they are short-term in nature or bear interest at current market rates.

The fair value of mortgage receivable, mortgages payable and debentures has been estimated based on current market rates for financial instruments with similar terms and maturities.

Classification

Non-financial assets and their carrying amount and fair value as well as financial liabilities and their carrying amount and fair value, when that fair value does not approximate the carrying amount, are classified as follows:

December 31		2022		2021	
		Carrying amount	Fair value	Carrying amount	Fair value
	Level	$	$	$	$
Recurring valuations of non-financial assets					
Investment properties	3	**2,354,255**	**2,354,255**	5,910,582	5,910,582
Financial assets					
Mortgage receivable	3	**10,000**	**9,796**	—	—
Financial liabilities					
Mortgages payable	2	**871,870**	**830,403**	2,050,834	2,086,586
Debentures	2	**269,916**	**262,388**	871,973	940,049

26) Financial Instruments

Risk Management

The main risks arising from Cominar's financial instruments are credit risk, interest rate risk and liquidity risk. The strategy for managing these risks is summarized below.

Credit risk
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.

Cominar mitigates credit risk via property type and geographic portfolio diversification, staggered lease maturities, and diversification of revenue sources through a varied tenant mix as well as by avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of operating revenues and by conducting credit assessments on all new tenants.

Cominar has a broad, highly diversified client base consisting of about 1,402 clients occupying an average of approximately 7,467 square feet each. The top three clients, Canadian National Railway Company, InfraMTL and Société québécoise des infrastructures, account respectively for approximately 8.5%, 5.3% and 5.1% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 14.0% of operating revenues come from government agencies.

Cominar regularly assesses its accounts receivable and records an expected credit loss for accounts to reflect the risk of non-collection.

The maximum credit risk to which Cominar is exposed corresponds to the carrying amount of accounts receivable, mortgage receivable and the cash and cash equivalents position.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cominar's objective in managing this risk is to minimize the net impact on future cash flows. Cominar reduces its exposure to interest rate risk by staggering the maturities of its borrowings over several years and by generally using long-term debt bearing interest at fixed rates.

Accounts receivable, except for the receivables bearing interest, and accounts payable and accrued liabilities do not bear interest.

All mortgage receivable, mortgages payable and all debentures bear interest at fixed rates.

Liquidity risk
Liquidity risk is the risk that Cominar will be unable to meet its financial obligations as they come due.

Cominar manages this risk by managing its capitalization, continuously monitoring current and projected cash flows and adhering to its capital management policy.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2022 are as follows:

		Cash flows		
		Under one year	One to five years	Over five years
	Note	$	$	$
Mortgages payable	9	**283,733**	**356,472**	**359,536**
Debentures	10	**83,765**	**214,371**	**—**
Lease liability		**680**	**—**	**—**

1 *Excludes commodity taxes, other non-financial liabilities and lease liability*

27) Segmented Information

Following the Arrangement, Cominar's activities consist of the ownership and management of a portfolio composed of two types of properties (office and mixed use properties and retail properties) located in the Province of Quebec and in Ottawa, Ontario, each type being now considered as a segment. As such, Cominar revisited its allocation of properties to those two segments in order to reflect the new composition of its portfolio following the Arrangement and adjusted comparative information to align with this new allocation. As part of this new allocation, properties that were previously classified in industrial and flex properties that were not disposed have been grouped with office and mixed-use properties. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies in the audited annual financial statements of the Trust.

The segments include Cominar's proportionate share in joint ventures. The joint ventures column reconciles the segment information including the proportionate share in assets, liabilities, revenues and charges, to the information presented in these consolidated financial statements, where the investments in joint ventures are accounted for using the equity method.

Year ended	Office and mixed-use properties	Retail properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
December 31, 2022	$	$	$	$	$	$
Rental revenue from investment properties	**182,053**	**175,203**	**27,899**	**385,155**	**(3,145)**	**382,010**
Change in fair value of investment properties	**(86,435)**	**(5,817)**	**166**	**(92,086)**	**(475)**	**(92,561)**
Net operating income	**87,733**	**79,810**	**15,824**	**183,367**	**(1,664)**	**181,703**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**1,282**	**1,282**
December 31, 2021	$	$	$	$	$	$
Rental revenue from investment properties	275,460	239,106	160,272	674,838	(16,244)	658,594
Change in fair value of investment properties	(257,473)	(369,052)	255,855	(370,670)	22,815	(347,855)
Net operating income	142,789	111,557	96,831	351,177	(8,939)	342,238
Share of joint ventures' net loss	—	—	—	—	(17,638)	(17,638)

	Office and mixed-use properties	Retail properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
December 31, 2022	$	$	$	$	$	$
Income properties	**980,392**	**1,008,298**	**—**	**1,988,690**	**—**	**1,988,690**
Investment properties held for sale	**264,000**	**48,866**	**—**	**312,866**	**—**	**312,866**
Investments in joint ventures	**—**	**—**	**—**	**—**	**13,317**	**13,317**
December 31, 2021	$	$	$	$	$	$
Income properties	1,386,507	1,151,540	—	2,538,047	(20,600)	2,517,447
Investment properties held for sale	965,322	434,678	2,088,000	3,488,000	(124,500)	3,363,500
Investments in joint ventures	—	—	—	—	76,383	76,383

28) Subsequent Events

Immediately following the taxation year that ended on December 31, 2022, Cominar issued 45,612,757 units designated as “Non-Redeemable Units” to IRIS, its sole unitholder. All units issued and outstanding as at December 31, 2022 were designated “Redeemable Units”. Non-Redeemable Units and Redeemable Units will at all times be equivalent in all respects, other than the right of redemption which shall only apply applies in respect of the Redeemable Units. All units, whether a Non-Redeemable Unit or a Redeemable Unit, represent a unitholder’s undivided and proportionate ownership interest in Cominar. Each unit whether a Non-Redeemable Unit or a Redeemable Unit, confers the right to at vote any meeting and to participate equally and rateably in all Cominar distributions.

On January 31, 2023, Cominar completed the sale of a retail property held for sale located in Québec city for a total amount of $3,400 and used the net proceeds to declare and pay $3,300 in cash distributions to the IRIS.

On February 7, 2023, Cominar completed the sale of a retail property held for sale located in Montréal for a total amount of $7,500 and used the net proceeds to declare and pay $7,300 in cash distributions to IRIS.

On February 17, 2023, Cominar completed the sale of a retail property held for sale located in Montréal for a total amount of $9,025 and used the net proceeds to declare and pay $8,835 in cash distributions to IRIS.

Cominar