Financial Statements

Cominar Real Estate Investment Trust

Year Ended December 31, 2021

Cominar

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Cominar Real Estate Investment Trust ("Cominar") were prepared by management, which is responsible for the integrity and fairness of the information presented, including those amounts that must be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information in our MD&A is consistent with these consolidated financial statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are duly authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2021, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of reports as well as internal control over financial reporting, as defined in Multilateral Instrument 52 109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls were effective.

The Board of Trustees oversees management's responsibility for financial reporting through its Audit Committee, which is composed entirely of trustees who are not members of Cominar's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our internal control procedures and their updates, the identification and management of risks, and advising the trustees on auditing matters and financial reporting issues.

PricewaterhouseCoopers LLP, a partnership of independent professional chartered accountants appointed by the unitholders of Cominar upon the recommendation of the Audit Committee and the Board of Trustees, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2021 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

SYLVAIN COSSETTE
President and Chief Executive Officer

ANTOINE TRONQUOY
Executive Vice President
and Chief Financial Officer

Québec, February 27, 2022

Independent auditor's report

To the Unitholders 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, 2021 and 2020, 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, 2021 and 2020;
- 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/s.r.l./s.e.n.c.r.l.
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Determination of the fair value of income properties *Refer to note 2 – Significant accounting policies and note 4 – Income properties to the consolidated financial statements.* The Trust opted to present its income properties in the consolidated financial statements according to the fair value model. The fair value of the income properties as at December 31, 2021 was $2,517.4 million, and the change in fair value of the income properties represented a decrease in fair value of $330.9 million for the year then ended. Income properties are valued using management's internal estimates and by independent real estate appraisers. Internally and externally valued income properties have been valued with the discounted cash flow method (the "DCF method"). The key assumptions used in the DCF method are the rental income from current leases, budgeted and actual expenses and assumptions about rental income for future leases, discount rates and the terminal capitalization rates. We considered this a key audit matter due to the significant judgments made by management when determining the fair values of the income properties and the high degree of complexity in applying audit procedures to test key assumptions. In addition, the effort involved the use of professionals with specialized skills and knowledge in the field of real estate valuations.	Our approach to address the matter included the following procedures, among others: • Tested the operating effectiveness of the internal control over the determination of the fair value of income properties, which includes management's review of the key assumptions used in the DCF method. • Tested how management determined the fair value of a sample of income properties, which included the following: – Tested the appropriateness of the DCF method used by management. – Tested the reasonableness of assumptions such as terminal capitalization rates used in the fair value assessment of income properties by comparing the rates to industry data for similar properties in the same geographic area. – Evaluated the reasonableness of the assumptions related to rental income for current and future leases and budgeted and actual expenses by considering: • the past rental income generated by the respective income property; • comparability with external market and industry data; and • whether these assumptions were consistent with evidence obtained in other areas of the audit. • Professionals with specialized skill and knowledge in the field of real estate valuations assisted us in evaluating the appropriateness of the DCF method and in evaluating the reasonableness, as applicable, of the rental income for future leases, discount rates and the terminal capitalization rates. • Tested the mathematical accuracy and underlying data used in the DCF method.

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:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust'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 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.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is François Berthiaume.

PricewaterhouseCoopers LLP[1]

Québec, Quebec
February 27, 2022

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

Consolidated Balance Sheets

[in thousands of Canadian dollars]

	Note	December 31, 2021 $	December 31, 2020 $
Assets			
Investment properties			
Income properties	4	**2,517,447**	6,077,025
Properties under development	5	**28,944**	26,315
Land held for future development	5	**29,635**	87,910
		2,576,026	6,191,250
Investment properties held for sale	6	**3,363,500**	20,990
Investments in joint ventures	7	**76,383**	97,497
Accounts receivable	8	**32,661**	51,816
Prepaid expenses and other assets		**18,230**	19,132
Cash and cash equivalents		**7,604**	13,594
Total assets		**6,074,404**	6,394,279
Liabilities			
Mortgages payable	9	**1,058,049**	2,105,906
Mortgages payable related to investment properties held for sale	6, 9	**992,785**	—
Debentures	10	**871,973**	1,070,491
Bank borrowings	11	**537,093**	366,958
Accounts payable and accrued liabilities	12	**131,380**	126,443
Total liabilities		**3,591,280**	3,669,798
Unitholders' equity			
Unitholders' equity		**2,483,124**	2,724,481
Total liabilities and unitholders' equity		**6,074,404**	6,394,279

See accompanying notes to the consolidated financial statements.

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, 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	13	—	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**

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2020		3,228,903	2,112,583	(2,197,010)	6,325	3,150,801
Net loss and comprehensive loss		—	(329,277)	—	—	(329,277)
Distributions to unitholders	13	—	—	(103,980)	—	(103,980)
Unit issuances		4,583	—	—	(978)	3,605
Long-term incentive plan	13	—	283	—	3,049	3,332
Balance as at December 31, 2020		3,233,486	1,783,589	(2,300,990)	8,396	2,724,481

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31
[in thousands of Canadian dollars, except per unit amounts]

	Note	2021 $	2020 $
Operating revenues			
Rental revenue from investment properties	14	**658,594**	661,320
Operating expenses			
Operating costs	17	**(145,152)**	(163,174)
Realty taxes and services		**(152,067)**	(155,526)
Property management expenses	17	**(19,137)**	(15,433)
		(316,356)	(334,133)
Net operating income		**342,238**	327,187
Finance charges	18	**(136,350)**	(143,640)
Trust administrative expenses	19	**(34,709)**	(16,973)
Change in fair value of investment properties	4, 5, 6	**(347,855)**	(469,763)
Share in joint ventures' net loss	7	**(17,638)**	(5,058)
Transaction costs	20	**(1,052)**	(5,375)
Impairment of goodwill		**—**	(15,721)
Net loss before income taxes		**(195,366)**	(329,343)
Income taxes			
Current income taxes		**—**	66
Deferred		**58**	—
		58	66
Net loss and comprehensive loss		**(195,308)**	(329,277)
Net loss per unit (basic and diluted)	21	**(1.07)**	(1.80)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31
[in thousands of Canadian dollars]

	Note	2021 $	2020 $
Operating activities			
Net loss		**(195,308)**	(329,277)
Adjustments for:			
Share of net loss and distributions received from the joint ventures	7	**21,463**	5,545
Change in fair value of investment properties	4, 5, 6	**347,855**	469,763
Depreciation and amortization		**7,413**	6,644
Compensation expense related to long-term incentive plan	13	**3,213**	3,332
Deferred income taxes		**(58)**	–
Impairment of goodwill		**–**	15,721
Recognition of leases on a straight-line basis	4, 5, 6	**(2,141)**	1,485
Changes in non-cash working capital items	22	**20,052**	(8,747)
Cash flows provided by operating activities		**202,489**	164,466
Investing activities			
Investments in income properties	4, 22	**(129,078)**	(131,773)
Investments in properties under development and land held for future development	5, 22	**(13,883)**	(23,650)
Net proceeds from the sale of investment properties	3, 4, 6	**68,487**	24,205
Proceeds from the sale of interest in a joint venture	7	**–**	4,012
Contributions to the capital of a joint venture	7	**(349)**	(17)
Change in other assets		**1,060**	(795)
Cash flows used in investing activities		**(73,763)**	(128,018)
Financing activities			
Cash distributions to unitholders	13	**(49,262)**	(103,980)
Bank borrowings	11	**170,135**	186,958
Net proceeds from mortgages payable	9	**–**	221,398
Net proceeds from issuance of debentures	10	**–**	148,147
Unit issuance net proceeds	13	**–**	3,605
Repayments of debentures	10	**(200,000)**	(400,000)
Repayments of mortgages payable	9	**(6,184)**	(180,991)
Monthly repayments of mortgages payable	9	**(49,405)**	(50,625)
Cash flows used in financing activities		**(134,716)**	(175,488)
Net change in cash and cash equivalents		**(5,990)**	(139,040)
Cash and cash equivalents, beginning of year		**13,594**	152,634
Cash and cash equivalents, end of year		**7,604**	13,594
Other information			
Interest paid		**135,680**	144,681
Cash distributed by a joint venture	7	**3,825**	487

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020
[in thousands of Canadian dollars, except per unit amounts]

1) Description of the Trust

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment Trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Quebec. As at December 31, 2021, Cominar owned and managed a real estate portfolio of 309 high-quality properties that covered a total area of 35.5 million square feet in the Province of Quebec and in Ottawa.

Cominar is listed on the Toronto Stock Exchange, and its units trade under the symbol "CUF.UN." The head office is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 850, 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, 2022 .

On October 24, 2021, Cominar announced that it has entered into an arrangement agreement (the “Arrangement Agreement”) to be acquired by Iris Acquisition II LP, an entity created by a consortium led by Canderel Real Estate Property Inc. and including FrontFour Capital Group LLC, Artis REIT and partnerships managed by the Sandpiper Group (collectively, the “Purchaser”) (the Transaction”). Under the terms of the Arrangement Agreement, the Purchaser will acquire, for a consideration of $11.75 in cash per unit (the “Consideration”), all of the issued and outstanding units of Cominar. The Transaction was approved at a special meeting of unitholders called to consider the Transaction on December 21, 2021 and subsequently by the Court on December 23, 2021. Closing of the transaction is scheduled to occur March 1, 2022.

The Arrangement Agreement contemplates a process whereby Cominar is to dispose of a portion of its investment properties. These investment properties have been classified as investment properties held for sale, as disclosed in Note 6. Furthermore, the joint venture Société en commandite Complexe Jules-Dallaire, which is 75% owned by Cominar, intends to dispose of its income property, as disclosed in Note 7.

As part of the Transaction, the vesting of all performance units, deferred units and restricted units will be accelerated. Then, all deferred units and restricted units, along with a percentage of performance units, based on an adjustment factor according to the total return for Cominar’s unitholders with respect to the total return of a reference group made up of entities comparable to Cominar will be exchanged for a consideration of 11.75$ in cash per unit.

Finally, Cominar suspended distributions for October, November and December, 2021 (refer to Note 13). Cominar reinstated the distribution in respect of the second half of January, 2022, payable in February 2022, to unitholders of record on January 31, 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:

- **COVID-19 related critical accounting estimates and judgments**
  The continued spread of the of respiratory illness caused by the coronavirus (“COVID 19”) globally have materially and adversely impacted Cominar and certain of its tenants' businesses and operations and could continue to impact Cominar and its tenants' business and operations in the short term and in the long term. Certain aspects of Cominar’s business and operations that have been impacted or could be potentially impacted in the future include, without limitation, employee health, rental income, occupancy, tenant improvements, demand for space and market rents, which all ultimately affect the current and future valuation of our portfolio of properties and other factors that depend on future developments beyond Cominar’s control. Expected credit losses related to tenant's financial strength during this pandemic are also subject to significant uncertainty.

  Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

- ***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. Estimates regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have all been impacted by the current COVID-19 and impacts have been considered in these consolidated financial statements.

- ***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 and accounts 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.

Government grants
Government grants are recognized only when Cominar has reasonable assurance that it meets the conditions and will receive the grants. Cominar has determined that government grants related to expenses such as the Canadian Emergency Wage Subsidy are recognized in profit or loss as a deduction of the related expenses.

Long-term incentive plan
Cominar has a long-term incentive plan in order to attract, retain and motivate its employees to attain Cominar's objectives. This plan does not provide for any cash settlements.

Performance units
Cominar recognizes a compensation expense on performance units, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

Deferred units
Cominar recognizes a compensation expense on deferred units granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

Restricted units
Cominar recognizes a compensation expense on restricted unit options granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

Unit options
Cominar recognizes a compensation expense on unit options granted, based on their fair value on the date of the grant, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

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 unitholders 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.

Per unit calculations
Basic net income per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential issuance of units under the long-term incentive plan, if dilutive.

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) Dispositions

Dispositions of Investment Properties Held for Sale in 2021

Date	Property type	Number of properties	Geographic market	Total selling price ($)
February 15, 2021	Office	1	Montreal	3,000
March 10, 2021	Retail	2	Quebec City	16,300
March 30, 2021	Retail	1	Quebec City	1,690
July 5, 2021	Land	—	Montreal	4,250
November 3, 2021	Land	—	Montreal	597
December 16, 2021	Office	1	Ottawa	40,050
		5		**65,887**

These properties sold during fiscal 2021 have been subject to an overall increase in their carrying amount to their fair value of $14,795 in 2021. These properties had been subject to an overall increase in their carrying amount to their fair value of $4,870 in 2020.

Dispositions of Properties Under Development and Land Held for Future Development in 2021

Date	Property type	Number of properties	Geographic market	Total selling price ($)
June 2, 2021	Land	—	Quebec City	**5,500** [1]

1 As at December 31, 2021, $2,600 had been cashed and $2,900 was receivable

Dispositions of Investment Properties Held for Sale in 2020

Date	Property type	Number of properties	Geographic market	Total selling price ($)
January 21, 2020	Retail	2	Montreal	850
January 23, 2020	Land	—	Montreal	1,855
September 17, 2020	Office	1	Montreal	14,250
December 1, 2020	Industrial and flex	1	Montreal	7,250
		4		**24,205**

These properties sold during fiscal 2020 have been subject to an overall increase in their carrying amount to their fair value of $1,437 in 2020.

4) Income Properties

Years ended December 31	Note	2021 $	2020 $
Balance, beginning of year		**6,077,025**	6,412,739
Change in fair value		**(330,914)**	(456,189)
Capital costs		**120,881**	119,196
Transfer to investment properties held for sale [1]	6	**(3,360,350)**	(36,160)
Transfer from properties under development and land held for future development	5	**—**	30,800
Change in initial direct costs		**8,614**	8,124
Recognition of leases on a straight-line basis		**2,191**	(1,485)
Balance, end of year		**2,517,447**	6,077,025

1 Refer to note 1 for more information on investment properties held for sale as at December 31, 2021

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 2021 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 $32,614. [$111,000 in 2020] in the fair value of its investment properties.

During the year 2021, 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 $347,855 was necessary to adjust the carrying amount of investment properties to fair value [decrease of $469,763 in 2020]. The change in fair value related to investment properties held as at December 31, 2021 amounts to $(362,650) [$(471,087) in 2020]. The fair value of investment properties reassessed at the end of 2021 from external valuations, as well as definitive agreements to sell investment properties, represented 86% (65% in 2020) 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

	2021[1]		2020	
	Range	Weighted average	Range	Weighted average
Office properties				
Direct capitalized net operating income method				
Overall capitalization rate	**4.8% - 7.5%**	**5.8 %**	5.3% - 7.5%	6.1 %
Discounted cash flow method				
Discount rate	**5.6% - 8.8%**	**6.7 %**	6.8% - 8.5%	7.3 %
Terminal capitalization rate	**5.0% - 7.8%**	**6.0 %**	5.5% - 7.8%	6.3 %
Retail properties				
Direct capitalized net operating income method				
Overall capitalization rate	**5.2% - 8.3%**	**6.6 %**	5.8% - 8.3%	6.9 %
Discounted cash flow method				
Discount rate	**6.2% - 9.3%**	**7.4 %**	6.8% - 9.3%	7.9 %
Terminal capitalization rate	**5.4% - 8.5%**	**6.8 %**	6.0% - 8.5%	7.1 %
Industrial and flex properties				
Direct capitalized net operating income method				
Overall capitalization rate	**4.5% - 7.3%**	**4.6 %**	5.1% - 8.0%	5.8 %
Discounted cash flow method				
Discount rate	**5.8% - 8.3%**	**5.9 %**	6.0% - 9.0%	6.7 %
Terminal capitalization rate	**5.0% - 7.5%**	**5.1 %**	5.4% - 8.3%	6.1 %
Total				
Direct capitalized net operating income method				
Overall capitalization rate		**6.1 %**		6.3 %
Discounted cash flow method				
Discount rate		**7.0 %**		7.3 %
Terminal capitalization rate		**6.3 %**		6.5 %

1 December 31, 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 and exclude investment properties held for sale

5) Properties Under Development and Land Held for Future Development

Years ended December 31	Note	2021 $	2020 $
Balance, beginning of year		**114,225**	141,978
Change in fair value		**(16,364)**	(10,786)
Capital costs		**10,682**	17,640
Disposition	3	**(5,500)**	—
Recognition of leases on a straight-line basis		**—**	50
Transfer to Income Properties	4	**—**	(30,800)
Transfers to investment properties held for sale [1]	6	**(48,047)**	—
Contribution to a joint venture	7	**—**	(11,138)
Capitalized interests		**3,570**	7,153
Change in initial direct costs		**13**	128
Balance, end of year		**58,579**	114,225
Breakdown:			
Properties under development		**28,944**	26,315
Land held for future development		**29,635**	87,910

1 Refer to note 1 for more information on investment properties held for sale as at December 31, 2021

6) 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, 2021, Cominar transferred 228 income properties having a fair value of $3,360,350 and 6 lands held for future development having a fair value of $48,047 to investment properties held for sale.

As at December 31, 2021, Cominar had 227 investment properties held for sale.

Years ended December 31		2021				2020
	Note	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties held for sale						
Balance, beginning of year		**3,000**	**17,990**	**—**	**20,990**	11,730
Transfer from income properties	4	**880,872**	**434,678**	**2,044,800**	**3,360,350**	36,160
Transfers from properties under development and land held for future development	5	**—**	**597**	**47,450**	**48,047**	—
Capitalized costs [1]		**452**	**125**	**—**	**577**	93
Change in fair value		**(452)**	**(125)**	**—**	**(577)**	(2,788)
Dispositions	3	**(43,050)**	**(18,587)**	**(4,250)**	**(65,887)**	(24,205)
Balance, end of year [2]		**840,822**	**434,678**	**2,088,000**	**3,363,500**	20,990

1 Includes $(50) ($— in 2020) of recognition of leases on a straight-line basis.
2 Refer to note 1 for more information on investment properties held for sale as at December 31, 2021

Years ended December 31		2021				2020
		Office properties	Retail properties	Industrial and flex properties	Total	Total
	Note	$	$	$	$	$
Mortgages payable related to investment properties held for sale						
Balance, beginning of year		**–**	**–**	**–**	**–**	–
Transfer of mortgages payable related to investment properties held for sale	9	**329,601**	**224,787**	**438,397**	**992,785**	–
Balance, end of year		**329,601**	**224,787**	**438,397**	**992,785**	–

7) Investments in Joint Ventures

December 31			2021	2020
Joint ventures	Address	City/province	Ownership interest	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	**75%**	75%
Société en commandite Marais	Du Marais Street	Québec, Quebec	**75%**	75%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	**50%**	50%
Société en commandite Terrains Centropolis	Centropolis	Laval, Quebec	**50%**	50%

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	2021	2020
	$	$
Investments in joint ventures, beginning of year	**97,497**	97,456
Contributions to the capital of the joint ventures	**349**	5,586
Share of joint ventures' net loss and comprehensive loss	**(17,638)**	(5,058)
Cash distributions by a joint venture	**(3,825)**	(487)
Investments in joint ventures, end of year	**76,383**	97,497

Contractual rights and obligations
The formation of each joint venture is recognized by limited partnership agreements and unanimous shareholder agreements of the general partner, in which the rights and obligations of each limited partner or shareholder are provided for. Among these terms and conditions, the important decisions with regard to joint ventures are taken unanimously by the limited partners for the limited partnerships, and by the shareholders for the general partners. Capital contributions are made on a pro rata basis between the limited partners. In addition, each limited partner has the right of first refusal, should the other limited partner transfer its participation in the joint venture. In the event that one of the limited partners is subject to a change of control, or if its assets are sold, the other limited partner has a purchase option for the participation at the fair market value. Recourse or purchase option mechanisms benefits each limited partner in respect of the other limited partner if it is in default under the agreements or if it becomes insolvent.

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

	Joint ventures		Cominar's proportionate share	
December 31	2021	2020	2021	2020
	$	$	$	$
Income properties	**41,200**	227,270	**20,600**	161,885
Properties under development	**14,683**	21,699	**7,341**	10,850
Land held for future development	**8,487**	10,705	**6,288**	8,029
Investment properties held for sale [1]	**166,000**	—	**124,500**	—
Other assets	**1,947**	4,289	**1,249**	2,808
Mortgages payable	**(34,021)**	(116,593)	**(17,011)**	(80,499)
Mortgages payable related to investment properties held for sale	**(85,695)**	—	**(64,271)**	—
Bank borrowings	**(1,556)**	(8,200)	**(778)**	(4,100)
Other liabilities	**(2,353)**	(2,346)	**(1,535)**	(1,476)
Net assets of joint ventures	**108,692**	136,824	**76,383**	97,497

1 *Refer to note 1 for more information on investment properties held for sale as at December 31, 2021*

	Joint Ventures		Cominar's proportionate share	
Years ended December 31	2021	2020	2021	2020
	$	$	$	$
Operating revenues	**23,108**	25,140	**16,244**	17,406
Operating expenses	**(10,483)**	(10,628)	**(7,305)**	(7,377)
Net operating income	**12,625**	14,512	**8,939**	10,029
Finance charges	**(5,260)**	(5,651)	**(3,710)**	(3,809)
Administrative expenses	**(99)**	(33)	**(52)**	(16)
Change in fair value	**(30,539)**	(19,532)	**(22,815)**	(11,262)
Net loss	**(23,273)**	(10,704)	**(17,638)**	(5,058)

8) Accounts Receivable

December 31		2021	2020
	Note	$	$
Trade receivables		**20,354**	40,516
Provision for expected credit losses	15	**(4,272)**	(13,635)
		16,082	26,881
Canadian Emergency Wage Subsidy		**410**	4,758
Other receivables and accrued income		**16,169**	20,177
Total		**32,661**	51,816

9) Mortgages Payable

Years ended December 31	2021		2020	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year	**2,115,221**	**3.54 %**	2,121,777	3.84 %
Mortgages payable contracted	**—**	**— %**	225,060	2.90 %
Monthly repayments of principal	**(49,405)**	**— %**	(50,625)	— %
Repayments of balances	**(6,184)**	**5.56 %**	(180,991)	4.84 %
	2,059,632	**3.53 %**	2,115,221	3.54 %
Plus: Fair value adjustments on assumed mortgages payable	**—**		187	
Less: Deferred financing costs	**(8,798)**		(9,502)	
Balance, end of year [1]	**2,050,834**		2,105,906	

1 As at December 31, 2021, includes $992,785 in mortgages payable related to the investment properties held for sale.

Contractual maturities of mortgages payable are as follows as at December 31, 2021:

Years ended December 31	Repayment of principal $	Balances at maturity $	Total $
2022	42,207	397,010	**439,217**
2023	55,951	104,292	**160,243**
2024	47,152	252,602	**299,754**
2025	37,812	213,508	**251,320**
2026	22,044	288,527	**310,571**
2027 and thereafter	51,397	547,130	**598,527**
Total	**256,563**	**1,803,069**	**2,059,632**

Mortgages payable are secured by immovable hypothecs on investment properties with a book value of $3,495,960 [$3,616,087 as at December 31, 2020]. As at December 31, 2021, they bear annual contractual interest rates ranging from 2.31% to 5.41% [2.31% to 5.77% as at December 31, 2020], representing a weighted average contractual rate of 3.53% [3.54% as at December 31, 2020], and mature at various dates from January 2022 to April 2034. As at December 31, 2021, the weighted average effective interest rate was 3.83% [3.74% as at December 31, 2020].

As at December 31, 2021, nearly 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, 2021 and December 31, 2020.

10) Debentures

Years ended December 31	2021		2020	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year	**1,075,000**	**4.51 %**	1,325,000	4.41 %
Issuance	**—**	**— %**	150,000	5.95 %
Repayment	**(200,000)**	**4.25 %**	(400,000)	4.71 %
	875,000	**4.57 %**	1,075,000	4.51 %
Less: Deferred financing costs	**(3,027)**		(4,509)	
Balance, end of year	**871,973**		1,070,491	

The following table presents characteristics of outstanding debentures as at December 31, 2021:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at December 31, 2021 ($)
Series 9	June 2015	4.16 %	4.25 %	June 2022	**300,000**
Series 10	May 2016	4.25 %	4.34 %	May 2023	**225,000**
Series 11	May 2019	4.50 %	4.82 %	May 2024	**200,000**
Series 12	May 2020	5.95 %	6.24 %	May 2025	**150,000**
		4.57 %	**4.74 %**		**875,000**

On December 8, 2021, Cominar reimbursed at maturity its Series 8 senior unsecured debentures totaling $200,000 and bearing interest at 4.25% using its unsecured revolving credit facility.

On May 5, 2020, Cominar issued $150,000 in Series 12 senior unsecured debentures bearing interest at a rate of 5.95% and maturing in May 2025.

On May 13, 2020, Cominar early redeemed $300,000 in aggregate principal of 4.941% Series 4 senior unsecured debentures using available cash and its unsecured revolving credit facility. Cominar paid $2,487 in yield maintenance fees and other costs in connection with the redemption.

On October 31, 2020, Cominar reimbursed at maturity its Series 3 senior unsecured debentures totaling $100,000 and bearing interest at 4.00% using its unsecured revolving credit facility.

The debentures, under the trust indenture, contain restrictive covenants, with which Cominar was in compliance as at December 31, 2021 and 2020.

11) Bank Borrowings

On April 9, 2021, Cominar converted the $400,000 unsecured revolving credit facility which was maturing in July 2021 into a $250,000 unsecured revolving credit facility maturing in April 2022 (sized down to $167.0 million in December 2021 further to the repayment of the Series 8 senior unsecured debentures) and a $150,000 secured revolving credit facility maturing in April 2023. This credit facility bears interest at the prime rate plus 175 basis points for the unsecured portion and 150 basis points for the secured portion, or at the bankers' acceptance rate plus 275 basis points for the unsecured portion and 250 basis points for the secured portion. As at December 31, 2021, the $150,000 portion of the credit facility was secured by immovable hypothecs on investment properties with a book value of $259,750. These credit facilities contain certain restrictive covenants, with which Cominar was in compliance as at December 31, 2021. As at December 31, 2021, bank borrowings under those facilities totaled $249,693 and availability was $67,307.

As at December 31, 2021, Cominar had a non-revolving secured credit facility of $167,400 maturing in September 2023. This credit facility bears interest at the prime rate plus 150 basis points or at the bankers' acceptance rate plus 250 basis points and have quarterly principal repayments of $1,800. As at December 31, 2021, this credit facility was secured by immovable hypothecs on investment properties with a book value of $295,870. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2021. As at December 31, 2021, this secured credit facility was fully used.

As at December 31, 2021, Cominar had a non-revolving secured credit facility of $120,000 maturing in September 2022. This credit facility bears interest at the prime rate plus 150 basis points or at the bankers' acceptance rate plus 250 basis points. As at December 31, 2021, this credit facility was secured by immovable hypothecs on investment properties with a book value of $180,943. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2021. As at December 31, 2021, this secured credit facility was fully used.

12) Accounts Payable and Accrued Liabilities

December 31	2021	2020
	$	$
Trade accounts payable	**6,041**	4,929
Accrued interest payable	**11,476**	12,785
Prepaid rent and tenants' deposits	**25,344**	24,407
Other accounts payable and accrued expenses	**84,445**	78,154
Commodity taxes and other non-financial liabilities	**4,074**	6,168
Total	**131,380**	126,443

13) Issued and Outstanding Units

Ownership interests in Cominar are represented by a single class of units, unlimited in number. Units represent a unitholder's undivided and proportionate ownership interest in Cominar. Each unit confers the right to one vote at any unitholders' meeting and to participate equally and rateably in all Cominar distributions. All issued units are fully paid.

Years ended December 31	2021		2020	
	Units	$	Units	$
Units issued and outstanding, beginning of year	**182,451,026**	**3,233,486**	182,111,365	3,228,903
Exercise of options, conversion of restricted units and deferred units	**—**	**—**	339,661	4,583
Units issued and outstanding, end of year	**182,451,026**	**3,233,486**	182,451,026	3,233,486

Long Term Incentive Plan

Performance units

Performance units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. When the vesting period is over, each unit granted based on performance is multiplied by an adjustment factor according to the total return for Cominar's unitholders with respect to the total return of a reference group made up of entities comparable to Cominar. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested after three years from the grant date. For each cash distribution on Cominar units, an additional number of performance units is granted to each participant. The fair value of performance units is represented by the market value of Cominar units on the date of the grant.

Years ended December 31	2021	2020
	Units	Units
Outstanding, beginning of year	**479,798**	349,766
Granted	**—**	141,403
Cancelled	**(189,959)**	(42,773)
Accrued distributions	**11,794**	31,402
Outstanding, end of year	**301,633**	479,798
Vested units, end of year [1]	**—**	—

1 Refer to note 1 for the impact of the Arrangement Agreement on units

Deferred units

Deferred units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. Each vested deferred unit provides the right to receive one Cominar unit when the holder ceases to be a Cominar trustee, member of management or employee. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested at a rate of 33 1/3% per anniversary year of the grant date. Once a year, the deferred unit holder can convert his or her vested deferred units into Cominar units. For each cash distribution on Cominar units, an additional number of deferred units is granted to each participant. The fair value of deferred units is represented by the market value of Cominar units on the date of the grant.

Years ended December 31	2021 Units	2020 Units
Outstanding, beginning of year	**362,009**	334,115
Granted	**28,053**	109,499
Converted	**—**	(78,472)
Forfeited	**—**	(18,136)
Accrued distributions	**9,884**	22,018
Outstanding, end of year	**399,946**	369,024
Vested units, end of year [1]	**334,198**	235,414

1 Refer to note 1 for the impact of the Arrangement Agreement on units

Restricted units

Restricted units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. When the vesting period is over, each restricted unit provides the right to receive one Cominar unit on the settlement date. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested three years after the date of the grant. For each cash distribution on Cominar units, an additional number of restricted units is granted to each participant. The fair value of restricted units is represented by the market value of Cominar units on the date of the grant.

Years ended December 31	2021 Units	2020 Units
Outstanding, beginning of year	**1,359**	2,311
Converted	**—**	(1,039)
Accrued distributions	**37**	87
Outstanding, end of year	**1,396**	1,359
Vested units, end of year [1]	**1,396**	—

1 Refer to note 1 for the impact of the Arrangement Agreement on units

Unit options

Cominar has granted unit options to management and employees under the long-term incentive plan. As at December 31, 2021, options to purchase 3,042,500 units were outstanding.

The following table shows characteristics of outstanding options at year-end:

December 31, 2021					
Date of grant	Graded vesting method	Expiration date	Exercise price $	Outstanding unit options	Exercisable unit options
December 15, 2015	33 1/3 %	December 15, 2022	14.15	838,900	838,900
December 13, 2016	33 1/3 %	December 13, 2023	14.90	1,074,900	1,074,900
August 24, 2017	33 1/3 %	August 24, 2024	13.46	1,128,700	1,128,700
				3,042,500	**3,042,500**

As at December 31, 2021, the average weighted contractual life of outstanding unit options was 1.9 years.

The following table presents changes in the number of unit options for the years indicated:

Years ended December 31	2021		2020	
	Unit Options	Weighted average exercise price $	Unit Options	Weighted average exercise price $
Outstanding, beginning of year	**3,385,150**	**14.16**	5,235,900	14.15
Exercised	**—**	**—**	(260,150)	13.93
Forfeited	**(342,650)**	**14.14**	(1,590,600)	14.16
Outstanding, end of year [1]	**3,042,500**	**14.16**	3,385,150	14.16
Exercisable options, end of year [1]	**3,042,500**	**14.16**	3,385,150	14.16

1 Refer to note 1 for the impact of the Arrangement Agreement on units

As at December 31, 2021, the maximum number of units that may be issued under the long-term incentive plan is 16,055,878 units.

Unit-based compensation
The compensation expense related to performance units and deferred units granted in January 2020 was calculated based on the market price of Cominar units on the grant date, which was $14.16.

The overall compensation expense for the fiscal year ended 2021 was $3,213 [$3,332 in 2020].

Distributions to Unitholders

Cominar is governed by a Contract of Trust whereby the Trustees, under the discretionary power attributed to them, intend to distribute a portion of its distributable income to unitholders. Distributable income generally means net income determined in accordance with IFRS, before fair value adjustments, transaction costs, rental revenue derived from the recognition of leases on a straight-line basis, provision for leasing costs, gains on disposal of investment properties and certain other items not affecting cash, if applicable.

Years ended December 31	2021	2020
	$	$
Distributions to unitholders	**49,262**	103,980
Distributions per unit	**0.27**	0.57

On October 24, 2021, Cominar announced that it has entered into an arrangement agreement to be acquired by a consortium led by Canderel Real Estate Property Inc. As part of this agreement, Cominar has agreed to suspend distributions for October, November and December, 2021. Refer to note 1 for more information on this agreement.

On August 5, 2020, Cominar decreased the monthly distribution from $0.06 per unit to $0.03 per unit, beginning with the distribution of August 2020 paid in September 2020.

14) Operating Revenues

Year ended December 31, 2021	Office properties $	Retail properties $	Industrial and flex properties $	Total of operating revenues $
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.

Year ended December 31, 2020	Office properties $	Retail properties $	Industrial and flex properties $	Total of operating revenues $
Lease revenues	232,678	220,914	151,011	604,603
Parking revenues	13,036	404	85	13,525
Revenues from other services [1]	19,839	16,954	6,399	43,192
Total	265,553	238,272	157,495	661,320

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. Cominar has identified the COVID-19 situation and the government's management and actions in regards to the pandemic to be relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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, 2021 and December 31, 2020 was determined as follows:

December 31, 2021	Current	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

December 31, 2020	Current	More than 30 days past due	More than 120 days past due	Total
Expected loss rate	6.20 %	19.09 %	55.20 %	
Gross carrying amount - trade receivables	10,700	9,655	20,161	40,516
Provision for expected credit losses	663	1,843	11,129	13,635

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

Years ended December 31	2021 $	2020 $
Balance, beginning of year	**13,635**	6,482
Net provision (reversal) recognized as expense	**(2,786)**	16,573
Tenant receivables written off during the period	**(6,577)**	(9,420)
Balance, end of year	**4,272**	13,635

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

Years ended December 31	2021 $	2020 $
Expected credit losses (reversal) on trade receivables	**(2,786)**	16,573
Expected credit losses - forgiven portion of the CECRA programs	**—**	4,787
Expected credit losses - rent reductions	**6,418**	12,252
Expected credit losses expensed	**3,632**	33,612

Years ended December 31	2021 $	2020 $
Office	**38**	3,854
Retail	**4,324**	25,897
Industrial and flex	**(730)**	3,861
Expected credit losses expensed	**3,632**	33,612
Percentage of operating revenues	**0.6 %**	5.1 %

16) Operating Lease Income

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

December 31, 2021	$
2022	**405,165**
2023	**357,981**
2024	**305,092**
2025	**256,496**
2026	**211,805**
2027+	**923,296**

b) Contingent rents included in revenues are as follows:

Years ended December 31	2021	2020
	$	$
Contingent rents	**8,350**	5,553

17) Operating Costs and Property Management Expenses

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

Years ended December 31	2021	2020
	$	$
Repairs and maintenance	**58,493**	53,608
Energy	**45,010**	44,922
Salaries and other benefits	**37,022**	30,200
Expected credit losses	**3,632**	33,612
Other expenses	**20,132**	16,265
Total	**164,289**	178,607

18) Finance Charges

Years ended December 31	2021	2020
	$	$
Interest on mortgages payable[1]	**74,515**	82,002
Interest on debentures[2]	**47,807**	57,271
Interest on bank borrowings	**13,717**	8,526
Amortization of deferred financing costs and other costs	**6,044**	4,959
Less: Capitalized interest[3]	**(5,733)**	(9,118)
Total	**136,350**	143,640

1 Interest on mortgages payable for 2020 includes $4,623 associated with penalties on mortgage repayments before maturity.
2 Interest on debenture for 2020 includes $2,487 associated to the yield maintenance fee paid for the Series 4 senior unsecured debentures redemption.
3 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 2021 was 3.93% [4.15% in 2020].

19) Trust Administrative Expenses

Years ended December 31	2021	2020
	$	$
Salaries and other benefits	**10,801**	8,805
Compensation related to the long-term incentive plan	**3,213**	3,332
Professional fees	**1,491**	983
Public company costs	**803**	990
Strategic alternatives consulting fees	**17,832**	1,694
Other expenses	**569**	1,169
Total	**34,709**	16,973

20) Transaction Costs

Years ended December 31	2021	2020
	$	$
Brokerage fees	**657**	48
Professional fees	**390**	193
Closing adjustments	**5**	5,134
Total	**1,052**	5,375

21) Per Unit Calculation Basis

Years ended December 31	2021	2020
	Units	Units
Weighted average number of units outstanding – basic	**182,746,882**	182,604,003
Dilutive effect related to the long-term incentive plan	**—**	—
Weighted average number of units outstanding – diluted	**182,746,882**	182,604,003

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 3,409,881 options and unvested performance units, deferred units and restricted units outstanding at the end of the year ended December 31, 2021 [3,999,917 in 2020], due to the fact they are antidilutive.

22) Supplemental Cash Flow Information

Years ended December 31	2021	2020
	$	$
Accounts receivable	**22,055**	(12,014)
Prepaid expenses and other assets	**(5,783)**	762
Accounts payable and accrued liabilities	**3,780**	2,505
Changes in non-cash working capital items	**20,052**	(8,747)
Other information		
Accounts payable and accrued liabilities relating to investing activities	**13,709**	12,265
Accounts receivable relating to investing activities	**4,448**	1,872

23) Key Management Personnel Compensation

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

Years ended December 31	2021	2020
	$	$
Short-term benefits	**5,042**	5,323
Contribution to the retirement savings plans	**151**	134
Long-term incentive plan	**1,289**	2,119
Total	**6,482**	7,576

Unit options granted to senior executives and other officers may not be exercised, even if they have vested, until the following three conditions have been met. The first condition requires that the market price of the security must be at least ten percent (10%) higher than the exercise price of the option, and this condition will be considered as met if the unit price has remained at such level for a period of twenty (20) consecutive trading days during the option's term. The second condition requires that the senior executive or other officer must undertake to hold a number of units corresponding to the multiple determined for his base salary. The third condition is that when the options are exercised, if the senior executive or other officer does not hold the required minimum number of units, he must retain at least five percent (5%) of the units purchased until he has the multiple corresponding to his base salary.

24) Capital Management

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development, while maximizing returns for unitholders by adequately maintaining the debt ratio. Cominar's capital consists of cash and cash equivalents, long-term debt, bank borrowings 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	2021	2020
	$	$
Cash and cash equivalents	**(7,604)**	(13,594)
Mortgages payable	**2,050,834**	2,105,906
Debentures	**871,973**	1,070,491
Bank borrowings	**537,093**	366,958
Unitholders' equity	**2,483,124**	2,724,481
Total	**5,935,420**	6,254,242
Debt ratio [1]	**56.9 %**	55.3 %
Interest coverage ratio [2]	**2.39:1**	2.28:1

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 (excluding governance and strategic alternatives consulting fees) divided by finance charges (excluding finance charges related to mortgages repayments before maturity and yield maintenance fees and costs paid in relation to the Series 4 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, 2021, Cominar had maintained a debt ratio of 56.9% 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, 2021, the interest coverage ratio was 2.39:1, reflecting Cominar's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

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 2021 and 2020.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to unitholders 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 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		2021		2020	
		Carrying amount	Fair value	Carrying amount	Fair value
	Level	$	$	$	$
Recurring valuations of non-financial assets					
Investment properties	3	**5,910,582**	**5,910,582**	6,185,925	6,185,925
Financial liabilities					
Mortgages payable	2	**2,050,834**	**2,086,586**	2,105,906	2,128,211
Debentures	2	**871,973**	**940,049**	1,070,491	1,104,247

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 3,450 clients occupying an average of approximately 9,650 square feet each. The top three clients, Société québécoise des infrastructures, Public Works Canada and Canadian National Railway Company, account respectively for approximately 6.2%, 4.8% and 3.4% 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 15.2% of operating revenues come from government agencies, representing approximately 100 leases.

Cominar regularly assesses its accounts receivable and records an expected credit loss for accounts when there is a risk of non-collection.

The maximum credit risk to which Cominar is exposed corresponds to the carrying amount of accounts 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.

Almost all mortgages payable and all debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings, which bear interest at variable rates.

A 25-basis-point increase or decrease in the average interest rate on variable interest debts during the period, assuming that all other variables are held constant, would have affected Cominar's net income by more or less $990 for the year ended December 31, 2021 [$769 in 2020].

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, 2021 are as follows:

		Cash flows		
	Note	Under one year $	One to five years $	Over five years $
Mortgages payable	9	**520,505**	**1,401,261**	**490,498**
Debentures	10	**333,727**	**615,590**	**—**
Bank borrowings	11	**260,344**	**299,433**	**—**
Accounts payable and accrued liabilities [1]	12	**117,594**	**—**	**—**
Lease liability		**619**	**2,513**	**16,012**

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

27) Segmented Information

Cominar's activities include a diversified portfolio of three property types located in the Province of Quebec and in Ottawa, Ontario. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies set out in note 2. Cominar uses net operating income as its main criterion to measure operating performance, that is, the operating revenues less the operating expenses of its investment properties.

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.

Years ended

December 31, 2021	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
	$	$	$	$	$	$
Rental revenue from investment properties	**271,612**	**239,106**	**164,120**	**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	**134,287**	**111,557**	**105,333**	**351,177**	**(8,939)**	**342,238**
Share of joint ventures' net loss	**—**	**—**	**—**	**—**	**(17,638)**	**(17,638)**
December 31, 2020	$	$	$	$	$	$
Rental revenue from investment properties	281,264	239,967	157,494	678,726	(17,406)	661,320
Change in fair value of investment properties	(188,917)	(415,273)	123,165	(481,025)	11,262	(469,763)
Net operating income	142,555	98,523	96,138	337,216	(10,029)	327,187
Share of joint ventures' net loss	—	—	—	—	(5,058)	(5,058)

December 31, 2021	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
	$	$	$	$	$	$
Income properties	**1,208,757**	**1,151,540**	**177,750**	**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**
December 31, 2020	$	$	$	$	$	$
Income properties	2,417,676	1,889,299	1,931,935	6,238,910	(161,885)	6,077,025
Investment properties held for sale	3,000	17,990	—	20,990	—	20,990
Investments in joint ventures	—	—	—	—	97,497	97,497

28) Subsequent Events

On January 14, 2021, Cominar entered into a new 3-month unsecured credit facility of up to $175,000 maturing in March 2022 which bears interest at the prime rate plus 175 basis points or at the bankers' acceptance rate plus 275 basis points.

On January 18, 2022, Cominar declared a monthly distribution of $0.015 per unit payable on February 15, 2022.

On February 21, 2022, Cominar declared a monthly distribution of $0.03 per unit payable on March 15, 2022.

On February 21 2022, Cominar announced that the closing of the plan arrangement for the acquisition of Cominar by Iris Acquisition II LP was scheduled to occur on March 1, 2022.

Post year-end, Cominar completed the sale of 1 industrial and flex property and 2 retail properties for a total amount of $18,500.

Cominar