Madison Pacific Properties Inc.

Consolidated Financial Statements
For the Years Ended August 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

Independent auditor's report

To the Shareholders of Madison Pacific Properties Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Madison Pacific Properties Inc. and its subsidiaries (together, Madison Pacific) as at August 31, 2024 and 2023, 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 Accounting Standards).

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

- the consolidated statements of financial position as at August 31, 2024 and 2023;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of (loss) income and comprehensive (loss) income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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 Madison Pacific 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.

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 August 31, 2024. These matters were

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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
Valuation of investment properties *Refer to note 2 – Summary of material accounting policies and critical accounting estimates and note 3 – Investment properties to the consolidated financial statements.* The Company measures its investment properties at fair value and, as at August 31, 2024, these assets were valued at $708 million. The fair value of investment properties is determined based on the income approach, using the capitalization rate (cap rate) method. In the cap rate method, stabilized net operating income (NOI) of each property is divided by an appropriate cap rate. The cap rates used are generally based on ranges provided by external valuators (management's experts). Stabilized NOI is determined from the terms of an existing lease or market rents for similar properties. The significant assumptions in the valuation of investment properties include cap rates and stabilized NOI. We considered this a key audit matter due to the significant judgments made by management when determining the fair values of the investment properties, including the use of management's experts. This resulted in a high degree of auditor judgment, subjectivity and effort in assessing audit evidence related to the significant assumptions.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the fair value of a sample of investment properties, which included the following: – Tested the appropriateness of the method used by management and the mathematical accuracy of the related models. – Compared stabilized NOI figures used in the models to the accounting records and/or comparable market rents, respectively, and evaluated whether stabilization was reasonable considering (i) the current and past leasing activity of the investment properties, (ii) the comparability with external market and industry data and (iii) whether these assumptions were aligned with evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the cap rates. As a basis for using this work, management's experts' competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated. The procedures performed included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of management's experts' findings. • Tested the underlying data used in the models.

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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Madison Pacific'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 Madison Pacific'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 Madison Pacific'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 Madison Pacific 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 Madison Pacific 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 David Neale.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
November 1, 2024

Madison Pacific Properties Inc.

Consolidated Statements of Financial Position

As at August 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

	2024 $	2023 $
Assets		
Non-current assets		
Investment properties (note 3)	**708,341**	695,150
Investments in associate and joint ventures (note 4)	**61,335**	83,280
Other non-current assets (note 5)	**4,699**	23,413
	774,375	801,843
Current assets		
Cash and cash equivalents	**14,631**	45,157
Amounts receivable and other current assets (note 6)	**5,419**	4,777
Income taxes receivable (note 15)	**1,022**	1,575
	21,072	51,509
Total assets	**795,447**	853,352
Liabilities		
Non-current liabilities		
Debt on investment properties (note 7)	**198,828**	251,449
Deferred income tax liabilities (note 15)	**56,485**	57,595
Other non-current liabilities (note 7(a))	**1,128**	-
	256,441	309,044
Current liabilities		
Current portion of debt on investment properties (note 7)	**104,080**	57,332
Accounts payable and accrued liabilities (note 8)	**10,701**	10,323
Income taxes payable (note 15)	**10**	1,079
Uncertain tax liabilities (note 15)	**500**	-
	115,291	68,734
Total liabilities	**371,732**	377,778
Equity		
Equity attributable to shareholders of the Company		
Share capital (note 10)	**72,715**	72,715
Retained earnings	**339,232**	389,976
	411,947	462,691
Non-controlling interests (note 11)	**11,768**	12,883
Total equity	**423,715**	475,574
Total liabilities and equity	**795,447**	853,352

Commitments (note 4(b) and 19(c))

Subsequent events (note 22)

Approved by the Board of Directors

"Sam Grippo" Director

"John DeLucchi" Director

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

Madison Pacific Properties Inc.
Consolidated Statements of Changes in Equity
For the Years Ended August 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Attributable to shareholders of the Company				
	Share capital $	**Retained earnings** $	**Total** $	**Non-controlling interests** $	**Total equity** $
Balance – September 1, 2022	72,715	377,598	450,313	12,800	463,113
Net income and comprehensive income	-	18,622	18,622	357	18,979
Dividends (note 12)	-	(6,244)	(6,244)	-	(6,244)
Distributions to non-controlling interest	-	-	-	(274)	(274)
Balance – August 31, 2023	72,715	389,976	462,691	12,883	475,574
Net loss and comprehensive loss	-	(44,125)	(44,125)	(84)	(44,209)
Dividends (note 12)	-	(6,244)	(6,244)	-	(6,244)
Distributions to non-controlling interest	-	-	-	(195)	(195)
Transaction with non-controlling interest (note 11)	-	(375)	(375)	(836)	(1,211)
Balance – August 31, 2024	**72,715**	**339,232**	**411,947**	**11,768**	**423,715**

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

Madison Pacific Properties Inc.

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

For the Years Ended August 31, 2024 and 2023

(expressed in thousands of Canadian dollars, except per share data)

	2024 **$**	**2023** **$**
Property revenues (note 13 and 17)	**44,487**	40,467
Property operating expenses (note 14 and 17)	**13,040**	12,966
	31,447	27,501
General and administrative expenses (note 14 and 17)	**5,343**	6,773
	26,104	20,728
Net (loss) gain on fair value adjustment on investment properties (note 3)	**(209)**	5,675
Equity earnings of associate and joint ventures (note 4(a))	**360**	7,361
	26,255	33,764
Interest income (note 17)	**2,511**	1,287
Interest expense	**12,726**	10,687
Interest expense and other costs on uncertain tax positions (note 15)	**14,778**	-
Losses on fair value adjustment on interest rate swaps (note 7)	**(4,195)**	(118)
(Loss) income before income taxes	**(2,933)**	24,246
Income taxes expense (note 15)	**41,276**	5,267
Net (loss) income and comprehensive (loss) income	**(44,209)**	18,979
Net (loss) income and comprehensive (loss) income attributable to:		
Shareholders of the Company	**(44,125)**	18,622
Non-controlling interests	**(84)**	357
	(44,209)	18,979
(Loss) income per share (note 16)		
Basic	**($0.74)**	$0.31
Diluted	**($0.74)**	$0.31

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

Madison Pacific Properties Inc.

Consolidated Statements of Cash Flows

For the Years Ended August 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

Cash flows (used in) from:	2024 $	2023 $
Operating activities		
Net (loss) income	**(44,209)**	18,979
Items not affecting cash		
Net loss (gain) on fair value adjustment on investment properties	**209**	(5,675)
Amortization	**1,402**	1,880
Allowance for expected credit losses (recoveries)	**77**	(126)
Equity earnings of associate and joint ventures	**(360)**	(7,361)
Unrealized losses on fair value adjustment on interest rate swaps	**4,195**	118
Recognition of rental revenue on a straight-line basis	**(125)**	338
Deferred income taxes	**(1,218)**	1,318
Provisions for uncertain tax liabilities	**51,450**	-
Cash flow from operations before changes in non-cash operating accounts	**11,421**	9,471
Changes in non-cash operating accounts		
Amounts receivable and other assets	**12**	(1,267)
Income taxes receivable	**292**	(1,313)
Accounts payable and accrued liabilities	**332**	526
Income taxes payable	**(1,069)**	(1,580)
Uncertain tax liabilities (note 15)	**(31,310)**	-
Cash (used in) generated from operating activities	**(20,322)**	5,837
Investing activities		
Acquisition of investment properties and acquisition deposits (note 3(b) and 5)	**(16,037)**	(8,084)
Additions to investment properties and property development costs	**(1,593)**	(1,245)
Other investment property expenditures	**(1,061)**	(1,207)
Net proceeds from disposition of investment properties (note 3(c))	**-**	3,495
Investments in associate and joint ventures (note 4(a))	**(12,695)**	-
Distributions received from associate and joint ventures (note 4(a))	**35,000**	18,300
Repayment of loans receivable	**10**	9
Cash generated from investing activities	**3,624**	11,268
Financing activities		
Net proceeds from debt on investment properties (note 7)	**42,076**	80,657
Repayment of debt on investment properties (note 7)	**(48,254)**	(88,046)
Distributions to non-controlling interests	**(195)**	(274)
Dividends paid	**(6,244)**	(6,244)
Transactions with non-controlling interests and related transaction costs (note 11)	**(1,211)**	-
Cash used in financing activities	**(13,828)**	(13,907)
(Decrease) increase in cash and cash equivalents	**(30,526)**	3,198
Cash and cash equivalents - beginning of year	**45,157**	41,959
Cash and cash equivalents - end of year	**14,631**	45,157
Supplemental cash flow information		
Interest received	**3,010**	950
Interest paid	**12,040**	10,555
Interest paid for uncertain tax liabilities	**13,183**	-
Income tax instalments paid (note 15)	**24,935**	-
Significant non-cash items		
Other non-current assets – deposits (notes 5 and 15)	**19,270**	-
Income taxes receivable (note 15)	**261**	-
Uncertain tax liabilities (note 15)	**500**	-
Assumed debt adjusted to fair value on acquisition of investment property (notes 3(b) and 7)	**-**	5,408

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

1. General information

Madison Pacific Properties Inc. (the "Company") owns, develops and operates industrial, commercial, multi-family, retail and office rental properties located in British Columbia, Alberta, and Ontario. The Company also has investments in joint ventures that develop residential properties. The Company is incorporated and domiciled in Canada. The head office of the Company is located at 389 West 6th Avenue, Vancouver, British Columbia, V5Y 1L1, and its registered office is located at 25th Floor, Toronto-Dominion Bank Tower, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

2. Summary of material accounting policies and critical accounting estimates

a. Basis of presentation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). IFRS comprises IFRS, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC") and the former Standing Interpretations Committee ("SIC").

These consolidated financial statements were approved by the Board of Directors on November 1, 2024.

b. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial derivatives, which are measured at fair value.

c. New accounting standards and amendments

There were several new and amendments to standards and interpretations which are applicable for the first time in the year ended August 31, 2024, but either not relevant or do not have a material impact on the consolidated financial statements of the Company other than stated below.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments as discussed above have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

d. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Company financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 *Presentation and Disclosure in Financial Statements* and consequential amendments to other IFRS standards.

In April 2024, the IASB released IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 replaces IAS 1 *Presentation of Financial Statements* while carrying forward many of the requirements in IAS 1. IFRS 18 introduces new requirements to: i) present specified categories and defined subtotals in the statement of earnings, ii) provide disclosures on management-defined performance measures in the notes to the financial statements, iii) improve aggregation and disaggregation. Some of the requirements in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7 *Financial Instruments: Disclosures*. The IASB also made minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* in connection with the new standard. IFRS 18 requires retrospective application with specific transition provisions. The Company is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027 with early adoption permitted. The Company is currently evaluating the impact of IFRS 18 on its financial statements.

e. Principles of consolidation

Subsidiaries

These consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company and the results of all controlled entities. Controlled entities are those entities over which the Company has i) the power to govern the financial and operating policies, ii) the right to receive benefits from that entity, and iii) the ability to use its operating decisions to alter the benefits received. These criteria are met by having a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. In addition, for consolidation purposes, factors may exist where an entity may consolidate without having more than 50% of the voting power through ownership or agreements, or in the circumstances of enhanced minority rights, as a consequence of *de facto* control. *De facto* control is control without the legal right to exercise unilateral control, and involves decision-making abilities that are not shared with others and the ability to give direction with respect to the operating and financial policies of the entity concerned. Where control of a subsidiary ceases during a financial year, its results are included up to the point in the year when control ceases. Where control of an entity is acquired during a financial year, its results are included in the consolidated statement of income and comprehensive income from the date on which control commences.

The Company's subsidiaries are Metro Vancouver Properties Corp. ("MVP"), MP Western Properties Inc., 1073774 Properties Inc., 3530639 Canada Inc., 801325 B.C. Ltd., the MPW Properties Partnership, Madison Silverdale Developments Corp., Madison Developments 2800 Barnet Ltd., the MT Properties Limited Partnership, and MT Management Inc. The Company holds a 100% interest in MP Western Properties Inc., 1073774 Properties Inc., 3530639 Canada Inc., Madison Silverdale Developments Corp. and a 100% (August 31, 2023 – 99.8%) interest in MVP (note 11(a)) which holds a 100% interest in the MPW Properties

Partnership, 801325 B.C. Ltd., and Madison Developments 2800 Barnet Ltd., a 60.9% interest in the MT Properties Limited Partnership, and a 75% interest in MT Management Inc.

All inter-company balances, transactions, and unrealized profits resulting from inter-company transactions are eliminated.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Joint arrangements

The Company classifies its interests in joint arrangements as either a joint venture or a joint operation. A joint arrangement is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control. A joint arrangement is classified as a joint venture when the parties to the joint arrangement have rights over the net assets of the joint arrangement, whereas a joint arrangement is classified as a joint operation when the arrangement provides rights to assets and obligations for liabilities for the parties sharing joint control.

Joint operations

Joint operations are accounted for using the proportionate consolidation method whereby the Company's share of assets, liabilities, income, expenses and cash flows of jointly controlled operations are combined with the equivalent items in the results on a line-by-line basis.

Investment in associates & joint ventures

Associates are entities over which the Company has significant influence but not control. Investments in associates and joint ventures are accounted for using the equity method as follows:

- Investments are initially recognized at cost.
- Investments in associates and joint ventures include goodwill and intangible assets identified on acquisition, net of any accumulated impairment loss.
- The Company's share of its associates and joint ventures' post-acquisition profits or losses is recognized in the consolidated statement of income and comprehensive income.
- Dividends and distributions receivable from associates and joint ventures reduce the carrying amount of the investment.
- The Company's liability with respect to its associates and joint ventures is limited to its net investment where it has no obligation to fund any subsequent losses should they arise. There is no obligation beyond the initial investment.

- Associates and joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

f. Investment properties

Investment properties are held to earn rental income, for capital appreciation, or for both. Investment properties also include properties being constructed or developed for future use, including existing investment properties which undergo redevelopment for continued future use. Property interests held under operating leases are included as investment properties.

An investment property is initially measured at cost, which includes the cost of the acquisition, property transfer taxes, due diligence costs, and standard closing costs. Property interests held under operating leases are recognized at the date of the initial application at an amount equal to the lease liability, using the Company's incremental borrowing rate.

After initial recognition, investment properties are carried at fair value. Fair value represents the estimated amount at which the properties could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation. The fair value of investment properties is based primarily using internally prepared valuations applying the income approach, derived from the capitalization rate method. In applying the capitalization rate method, stabilized net operating income ("stabilized NOI") of each property is divided by an appropriate capitalization rate with adjustments for items such as vacancy rates, non-recoverable capital expenditures and other non-recurring items. Stabilized NOI is determined from the terms of an existing lease or market rents for similar properties.

The capitalization rates used are generally based on ranges provided by external valuators and these assumptions are further compared against information obtained from independent industry experts. On a quarterly basis, the Company primarily uses the capitalization rate method to evaluate the fair value of its investment properties. Changes in fair values are recognized in the consolidated statement of income and comprehensive income.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

Subsequent expenditures are capitalized to the asset's carrying amount only when it is probable that the Company will receive future economic benefits associated with the expenditures and the fair value of the investment property exceeds its carrying amount plus subsequent expenditures. All other repair and maintenance costs are expensed when incurred.

For investment properties being constructed, developed or redeveloped for future use, all direct expenditures incurred in connection with the construction or development are capitalized during the development period. This period begins from the date that activities commence to prepare the property for its intended use and ends when such activities are substantially complete.

Depreciation is not taken on investment properties.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on the derecognition of an investment property is recognized as a net gain in the fair value adjustment on investment properties in the consolidated statement of income and comprehensive income in the period in which the investment property is derecognized.

Investment properties are classified as held for sale when the criteria in IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, are met. The resulting sale is recognized when title passes to the purchaser, all or substantially all of the proceeds have been received or are receivable, and all material conditions of the sales agreement have been met.

g. Properties under development for sale

Properties under development for sale include properties being constructed or developed for future resale. Properties under development are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less cost to complete the development and selling costs. Costs to complete include all direct development costs and capitalized carrying costs related to holding the property under development, including borrowing costs.

The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings, and is capitalized from the commencement of the development until the date of completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The Company considers the date of completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. The cost of sale of a property or unit is allocated on the basis of the estimated total cost of the project prorated by the selling price of the property or unit over the anticipated sales proceeds from the entire project.

h. Leases

The Company has retained substantially all of the risks and benefits of ownership of its revenue properties and therefore accounts for leases with its tenants as operating leases. Properties leased out under operating leases are included in investment properties in the consolidated balance sheet.

When a tenant lease provides for free rent periods and/or periodic increases in base rent over the lease term, the total amount of net rental revenue to be received from these leases is accounted for on a straight-line basis over the term of the applicable lease. Accordingly, an asset is recorded for the current difference between the straight-line rent recorded as rental revenue and the rent that is contractually due from the tenant. As the lease term progresses and the step-rate increase is received, the asset is drawn down. The asset is included in the carrying amount of the related investment property.

Tenant incentives comprise costs incurred to make leasehold improvements to tenants' space and are included in the carrying amount of the related investment property. Such incentives are recognized as a reduction of rental income on a straight-line basis over the term of the applicable lease.

Leasing commissions are fees paid in connection with negotiating lease contracts with lessees. Such fees are included in the carrying amount of the related investment property and are amortized on a straight-line basis over the term of the applicable lease.

i. Cash and cash equivalents

Cash and cash equivalents comprise primarily cash held in interest bearing accounts with major Canadian financial institutions, and other short-term highly liquid investments with original maturities of three months or less.

j. Financial instruments

Designation of financial instruments

The following table summarizes the Company's classification and measurement of financial assets and financial liabilities in accordance with IFRS 9 *Financial Instruments*:

	Classification and measurement
Financial assets	
Other non-current financial assets	Financial asset at amortized cost
Cash and cash equivalents	Financial asset at amortized cost
Amounts receivable and other current financial assets	Financial asset at amortized cost
Financial liabilities	
Debt on investment properties (excluding land lease liability)	Financial liability at amortized cost
Accounts payable and accrued liabilities	Financial liability at amortized cost
Amounts receivable and other current assets	Financial liability at amortized cost
Derivative financial instruments	
Fair value assets (liabilities) on interest rate swaps	Financial asset (liability) at fair value through profit or loss ("FVTPL")

Financial assets – impairment

At each reporting period, each financial asset measured at amortized cost is assessed for impairment. The expected credit loss impairment is based on the difference in cash flows the Company expects to receive and the contractual cash flows due in accordance with the contract, discounted at the asset's original effective interest rate. Impairment losses are recognized in the consolidated statement of income and comprehensive income.

k. Derivative financial instruments

The Company enters into interest rate swaps from time to time to manage interest rate risk. Interest rate swaps are financial derivatives and are classified as carried at FVTPL. The fair value of an interest rate swap is included in the consolidated statement of financial position within other liabilities if the cumulative fair value gain (loss) of the interest rate swap results in an unrealized loss, and the fair value of an interest rate swap is included within other assets if the cumulative fair value gain (loss) of the interest rate swap results in an unrealized gain. The current and non-current classification will be based on the underlying maturity of the interest rate swaps. Gains and losses on re-measurement are included in the consolidated statement of income and comprehensive income (note 7).

l. Revenue recognition

Property revenues include rental revenue and property management revenue. Rental revenue includes the recovery of certain operating expenses and property taxes.

Rental revenue from operating leases is recognized on a straight-line basis over the applicable lease term. The cost of tenant incentives is recognized over the term of the applicable lease as a reduction in rental revenue.

Unearned revenue represents deposits received in advance of rent being earned and property taxes recovered prior to their due date.

Property management revenue is recorded monthly as earned.

m. Provisions

Provisions for restructuring costs, warranties and legal claims, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

n. Income taxes

The Company follows the asset and liability method of accounting for income taxes whereby deferred income tax assets and liabilities are recognized for differences between the bases of assets and liabilities used for financial statement and income tax purposes. Deferred income tax assets and liabilities are calculated using substantively enacted tax rates for the period in which the differences are expected to reverse. Deferred income tax assets are recognized only to the extent that management determines that it is more likely than not that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

o. Fair value

Fair value measurements recognized in the consolidated statement of financial position are categorized in accordance with the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included in 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 (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

p. Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to use judgement in applying its accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management judgements, estimates, and assumptions relate to:

i. Fair value of investment properties

Judgements are made in respect of the fair values of investment properties. The fair values of these investment properties are reviewed at least quarterly by management with reference to independent capitalization rate ranges and market conditions existing at the reporting date, using generally accepted market practices. The capitalization rates used are generally based on ranges provided by external valuators and these assumptions are further compared against information obtained from independent industry experts.

Assumptions used in estimating the fair values of investment properties include capitalization rates, components of stabilized NOI, non-recoverable capital expenditures and vacancy rates. The Company examines the significant assumptions at the end of each reporting period and updates these assumptions based on recent leasing activity and external market data available at that time. If there is any change in these assumptions or in regional, national or international economic conditions, the fair value of investment properties may change materially.

ii. Income taxes

Management has estimated the income tax provision and deferred income tax balances in accordance with its interpretation of the various income tax laws and regulations. It is possible, due to the complexity inherent in estimating income taxes, that the tax provision and deferred income tax balances could change.

In accordance with IAS 12, *Income Taxes*, the Company has recognized income tax losses as deferred income tax assets. At this time, management has estimated that there will be sufficient future taxable income to utilize the losses.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

iii. Allocation of purchase price on investment property acquisitions

On the acquisition of an investment property, the Company is required to make an allocation for the building component of the property in order to calculate depreciation for income tax purposes.

iv. Fair value of debt

The Company makes estimates and assumptions related to fair value disclosure of long-term debt. The critical assumptions underlying the fair value disclosure include credit spread. The Company reviews various comparable debt securities and determines a reasonable credit spread applicable to the debt securities (note 19).

v. Uncertain tax positions

Management uses judgement based on underlying facts and assumptions when determining whether a provision for a tax liability or derecognition of a deferred income tax asset is required for tax positions in dispute with tax authorities.

During the year ended August 31, 2024, based on the decision of the Tax Court of Canada ("TCC") in respect of the Company's appeal (note 15) and other related factors, including the criteria under IFRS regarding tax contingencies, the Company has recorded a provision for the uncertain tax positions in dispute with tax authorities, related accrued interest payable and awarded legal costs based on Management's best estimate. Tax authorities may disagree with the interpretation and application of tax laws and rules related to Management's computation of interest expense and awarded legal costs. As a result, the actual interest expense and awarded legal costs paid in future periods may differ from current estimates.

3. Investment properties

	August 31, 2024 $	**August 31, 2023 $**
Balance at beginning of year	695,150	678,783
Additions:		
Acquisitions (note 3(b))	11,674	13,492
Other additions and property development costs	1,690	1,321
Dispositions (note 3(c))	-	(3,495)
Recognition of rental revenue on a straight-line basis	125	(338)
Tenant improvements	282	469
Amortization of tenant improvements	(662)	(746)
Leasing commissions	726	814
Amortization of leasing commissions	(435)	(825)
Net (loss) gain on fair value adjustment	(209)	5,675
Balance at end of year	708,341	695,150

a. Valuations

When performing fair value assessments for its investment properties, the Company incorporates a number of factors including recent market transactions, recent leasing activity, market vacancy, non-recoverable capital expenditures and other information obtained from market research and recently completed leases and acquisitions. The capitalization rates used are generally based on ranges provided by external valuators and these assumptions are further compared against information obtained from independent industry experts. The geopolitical events in the world has caused global economic disruption and rising inflation and interest rates. This has increased the risk and uncertainty surrounding valuation estimates due to limited market activity for comparable transactions, as well as uncertainty regarding the expected length of these events and the resulting impact on the Company's cash flows from investment properties. In developing its estimates, management performed an assessment of its tenants and portfolio of investment properties, as well as an evaluation of the changes in the overall market conditions for the asset classes in the Company's portfolio.

The fair value of the Company's investment properties is considered to be at Level 3 in the fair value hierarchy (note 2(o)), as significant unobservable inputs are required to determine fair value.

b. Investment property acquisitions

During the year ended August 31, 2024, the Company acquired a 50% interest in a 15-unit apartment property in Metro Vancouver for $2,225 including closing costs and taxes, a 50% interest in a 42-unit apartment property in Metro Vancouver for $6,259 including closing costs and taxes and a 50% interest in a 14-unit apartment property in Metro Vancouver for $3,190 including closing costs and taxes (note 17).

During the year ended August 31, 2023, the Company purchased an industrial property with a 14,042 square foot building and a site area of 4.26 acres located in Calgary, Alberta for $7,697 including closing costs and taxes. The purchase price for the investment property was settled by the assumption of a mortgage of $5,408 and cash for $2,289. During the year ended August 31, 2023, the Company also acquired a 50% interest in a 40-unit apartment property in Metro Vancouver for $5,795 including closing costs and taxes (note 17).

c. Investment property dispositions

For the year ended August 31, 2024, the Company had no dispositions of investment properties.

During the year ended August 31, 2023, the Company sold its 50% interest in a retail property with a 9,643 square foot building and a site area of 0.48 acres located in Richmond, British Columbia for net proceeds of $3,495.

d. Right-of-use asset

Included in investment properties is a right-of-use asset ("ROU Asset") arising from a land lease. The ROU Asset was recognized effective September 1, 2019 upon the adoption of IFRS 16, *Leases* ("IFRS 16").

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

e. Sensitivity

The following table provides a sensitivity analysis for the weighted average capitalization rate on commercial properties applied at August 31, 2024, excluding properties under development and a ROU Asset of $2,269 (note 3(d)):

Capitalization rate increase (decrease)	Weighted average capitalization rate	Fair value of investment properties (at Company's ownership) $	Fair value variance $	% change
(0.75%)	3.69%	867,438	161,367	22.9%
(0.50%)	3.98%	802,723	96,652	13.7%
(0.25%)	4.26%	750,492	44,421	6.3%
August 31	4.53%	706,072	-	-
0.25%	4.79%	667,364	(38,707)	(5.5%)
0.50%	5.05%	633,128	(72,943)	(10.3%)
0.75%	5.31%	602,524	(103,547)	(14.7%)

4. Investments in associate and joint ventures

	August 31, 2024 $	August 31, 2023 $
Investment in associate (note 4(a))	24,447	21,566
Investments in joint ventures (note 4(a))	36,888	61,714
	61,335	83,280

a. Investments in associate and joint ventures

The investment in associate includes an equity investment in Grant Street Properties Inc. ("GSP"), a related private company with a December 31st fiscal year-end that owns and manages commercial, industrial and multi-family rental properties. On January 31, 2024, the Company acquired 328,240 newly issued shares in GSP for cash consideration of $2,137. On April 9, 2024, the Company acquired additional 153,610 GSP shares for a total cost of $1,000 from a GSP shareholder. As at August 31, 2024, the Company owns a total ownership interest of 36.04% (August 31, 2023 – 33.85%) in GSP. This investment has been accounted for using the equity method and includes equity losses for the year ended August 31, 2024 of $256 (year ended August 31, 2023 – equity earnings of $163).

The investment in joint ventures includes equity investments in the Silverdale Hills Limited Partnership (the "Silverdale Hills LP") and the 2798 Barnet Development Limited Partnership (the "Barnet LP"). The Company holds an ownership interest of 50% in each of the Silverdale Hills LP and the Barnet LP. These limited partnerships have November 30th fiscal year-ends and have been accounted for using the equity method and include equity earnings for the year ended August 31, 2024 of $616 (year ended August 31, 2023 - $7,198).

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

As at August 31, 2024, the Silverdale Hills LP owns approximately 1,405 acres of residential development designated lands in Mission, British Columbia. In June 2020, the Silverdale Hills LP commenced development of 162 townhomes and 65 single family lots on the site, which consumed approximately 38 acres of land bank. As at August 31, 2023, all townhome units have been completed and sold and 64 single family lots have been sold to a single developer.

In March 2022, the Silverdale Hills LP entered into a contract to purchase approximately 19 acres of residential development lands in Mission, British Columbia for $25,000 excluding closing costs and taxes. The purchase is scheduled to close in March 2025. A deposit of $10,000 has been paid.

In March 2024, the Silverdale Hills LP received approval from the City of Mission to rezone 11 properties totalling approximately 139 acres within the Silverdale Central Neighborhood Plan area to the new Comprehensive Development 59 Zone, which could accommodate residential units of varying formats, parks, trails and neighborhood commercial uses (the “Loftus Village Project”).

In July 2024, the Silverdale Hills LP also entered into servicing agreements with the City of Mission to construct and install the first phase of public services, facilities, and utilities to support a 50 acre development within the Loftus Village Project lands.

During the year ended August 31, 2023, the Silverdale Hills LP purchased approximately 21 acres of residential development lands in Mission, British Columbia for $19,589 including closing costs and taxes.

The Barnet LP owns a retail property in Coquitlam, British Columbia which has redevelopment potential into a residential and mixed-use property.

The Company’s share of the associate and joint ventures consists of the following:

	Associate		**Joint ventures**		**Total**	
	August 31, 2024 $	**August 31, 2023 $**	**August 31, 2024 $**	**August 31, 2023 $**	**August 31, 2024 $**	**August 31, 2023 $**
Balance at beginning of year	21,566	21,403	61,714	72,816	83,280	94,219
Share of (losses) earnings for the year	(256)	163	616	7,198	360	7,361
Additional equity investments	3,137	-	9,558	-	12,695	-
Distributions received	-	-	(35,000)	(18,300)	(35,000)	(18,300)
Balance at end of year	24,447	21,566	36,888	61,714	61,335	83,280

During the year ended August 31, 2024, the Company made additional equity investments of $7,658 in the Silverdale Hills LP to fund development and land servicing costs for the Loftus Village Project and the acquisition of additional parcels of undeveloped residential land.

For the year ended August 31, 2024, the Company drew $35,000 of cash from the Silverdale Hills LP. This was funded from a $70,000 loan facility secured by the Silverdale Hills LP (note 4(b)).

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

During the year ended August 31, 2024, the Company made equity investments of $1,900 in the Barnet LP to fund its pre-development costs.

When applying the equity method, financial statements of associates and joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. The following is the summarized financial information for the Company's associate and joint ventures, reported in the Company's share of ownership:

	Associate		Joint ventures		Total	
	August 31, 2024 $	August 31, 2023 $	August 31, 2024 $	August 31, 2023 $	August 31, 2024 $	August 31, 2023 $
Revenue and other income	1,614	1,096	2,365	29,163	3,979	30,259
Expenses	1,870	933	1,749	21,965	3,619	22,898
Net income for the year	(256)	163	616	7,198	360	7,361

	Associate		Joint ventures	
	August 31, 2024 $	August 31, 2023 $	August 31, 2024 $	August 31, 2023 $
Cash and cash equivalents	1,503	428	3,774	3,969
Other current assets	2,178	854	3,070	19,517
Non-current assets	36,605	31,651	85,886	78,447
Current financial liabilities (excluding trade and other payables)	5,997	2,090	55,492	37,592
Other current liabilities	3,196	481	280	2,555
Non-current liabilities	6,731	8,915	-	-
Net assets	24,362	21,447	36,958	61,786

Corporate guarantees

The Silverdale Hills LP, of which the Company has a 50% interest, obtained the following loans and credit facilities to fund its development costs and acquisition of parcels of undeveloped residential lands.

- The Silverdale Hills LP has a committed construction loan facility to a maximum of $241. As at August 31, 2024, outstanding letters of credit totalling $241 had been drawn against the facility by the Silverdale Hills LP. The loan is repayable on demand, and the Company has provided a guarantee for 50% of this construction loan.

- In October 2022, the Silverdale Hills LP obtained a bank loan of $11,100 for which the Company provided a guarantee of $5,550. The bank loan is payable on demand and matures in 2025.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

- In November 2022, the Silverdale Hills LP obtained a bank loan facility of $70,000, which matures in calendar year 2025. The loan is payable on demand, and the Company has provided a guarantee for $35,000. During the year ended August 31, 2024, the Company drew $35,000 of cash from the Silverdale Hills LP.

- In July 2024, the Silverdale Hills LP obtained development agreement surety bonds for a total of $25,804 to provide security to the servicing agreements entered with the City of Mission for a 50 acre development within the Loftus Village Project lands. The Company has provided a guarantee for the surety bonds.

The Company has provided a guarantee of $14,625 for a $29,250 bank loan owed by the Barnet LP of which the Company has a 50% interest. The loan is repayable on demand and matures in September 2025.

5. Other non-current assets

	August 31, 2024 $	August 31, 2023 $
Deposits for uncertain tax positions (note 15)	-	19,270
Loans receivable, deferred rents receivable and other	337	238
Fair value assets on interest rate swaps (note 7)	-	3,905
Acquisition deposits (note 22)	4,362	-
	4,699	23,413

6. Amounts receivable and other current assets

	August 31, 2024 $	August 31, 2023 $
Accounts receivable and deferred rents receivable	705	872
Interest receivable and current portion of loans receivable	83	202
Prepaid expenses, deposits and other	3,689	3,599
Fair value assets on interest rate swaps (note 7)	942	104
	5,419	4,777

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

7. Debt on investment properties

	August 31, 2024 $	August 31, 2023 $
Balance at beginning of year	308,781	310,456
Net proceeds from debt issuances	49,242	80,657
Assumed debt (note 3(b))	-	5,408
Amortization of deferred financing costs	305	306
Repayment of debt	(55,420)	(88,046)
Balance at end of year	302,908	308,781
Less: current portion	104,080	57,332
Non-current portion	198,828	251,449

Mortgage and construction loans are secured by charges against the related properties and corporate guarantees. Of the total mortgage and construction loans (before netting of deferred financing costs and fair value adjustments to assumed debt and excluding lease liabilities), $301,381 (August 31, 2023 - $307,237) bears interest at fixed rates ranging from 2.23% to 6.35% (August 31, 2023 - 1.97% to 5.96%) per annum. The weighted average interest rate on fixed rate debt as at August 31, 2024 was 4.27% (August 31, 2023 - 3.87%).

See note 19(c) for minimum principal repayments.

a. Interest rate swaps

The Company has entered into interest rate swaps with Canadian chartered banks on seven mortgages to fix the Company’s interest rates on those mortgages. The swaps had notional amounts as at August 31, 2024 totalling $106,285 (August 31, 2023 - $106,790), fixed swap rates ranging from 2.52% to 5.94%, and maturity dates ranging from December 2024 to September 2029. The total notional amount of the interest rate swaps represented 35.3% as at August 31, 2024 (August 31, 2023 – 34.8%) of the total debt on investment properties (before netting of deferred financing costs and fair value adjustments on assumed debt and excluding lease liabilities). The Company anticipates holding the mortgages and interest rate swap contracts until maturity.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

The total fair value of the interest rate swap assets and liabilities and net unrealized losses on those contracts are as follows:

	Fair value assets		Fair value liabilities	
	2024 $	August 31, 2023 $	2024 $	August 31, 2023 $
Interest rate swaps - current	942	104	-	-
Interest rate swaps - non-current	-	3,905	1,128	-

	Net unrealized losses on interest rate swaps	
	Years ended August 31,	
	2024 $	2023 $
Interest rate swaps	4,195	118

b. Lease liability

See note 19(c) for minimum lease payments under the land lease.

8. Accounts payable and accrued liabilities

	August 31, 2024 $	August 31, 2023 $
Trade payables	567	671
Dividends payable	3,122	3,122
Accrued interest payable	705	643
Other accrued liabilities	1,543	1,270
Tenant deposits	1,911	1,876
Unearned revenue	2,853	2,741
	10,701	10,323

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

9. Bank indebtedness

The Company has a line of credit of up to $20,000 (August 31, 2023 - $20,000) bearing interest at bank prime rate plus 1% (August 31, 2023 - bank prime rate plus 1% or the Banker's Acceptance rate plus 2.50%) with a Canadian chartered bank. As at August 31, 2024, $nil (August 31, 2023 - $nil) had been drawn against this line of credit. The amount available under this line of credit varies with the fair value of investment properties pledged and the cash flows the properties generate, up to a maximum of $20,000. Second mortgages against certain of the Company's investment properties, assignments of rents and insurance, as well as general security agreements creating floating charges over all of the Company's assets, have been provided as security. Amounts advanced under this line of credit are repayable on demand.

The line of credit agreement contains the following financial ratios that must be maintained, with which the Company was in compliance as at August 31, 2024:

- Not permit the debt service coverage ratio to be less than 1.25 to 1.00;
- Not permit the ratio of EBITDA to interest expense on all debt secured by the investment properties pledged to be less than 1.50 to 1.00;
- Not permit the aggregate amount of all outstanding borrowings secured by the investment properties pledged to exceed 65% of their appraised values; and
- Not permit the tangible net worth of the Company to be at any time less than $125,000.

10. Share capital

a. Authorized and issued shares

The authorized share capital of the Company consists of an unlimited number of Class A non-voting preferred shares without par value, an unlimited number of Class B voting common shares without par value ("Class B Shares"), and an unlimited number of Class C non-voting shares without par value ("Class C Shares").

The following table summarizes the issued share capital as at August 31, 2024 and August 31, 2023:

	Class B Shares		Class C Shares		Total	
	Number	Amount $	Number	Amount $	Number	Amount $
Balance – August 31, 2023 and August 31, 2024	7,355,420	8,369	52,107,135	64,346	59,462,555	72,715

No shares were issued or cancelled during the year ended August 31, 2024.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

b. Share option plan

The Company implemented a share option plan (the “Plan”) effective January 1, 2019. Under the Plan, the Company reserves Class B Shares equal to 2% of aggregate outstanding Class B Shares and Class C Shares for issuance upon the exercise of share options granted under the Plan. As at November 1, 2024, 1,189,251 Class B Shares are reserved for the issuance under the Plan. The Plan provides that share options may be issued only to executives, employees and outside directors of the Company or of any of its subsidiaries and that options granted to insiders (as defined by Toronto Stock Exchange rules) shall not exceed 10% of the outstanding Class B Shares.

The Plan and the terms of options granted, including the exercise price, the expiry time, the vesting period and other terms and conditions relating to such options, shall be administered by the Compensation Committee or any other committee to which such authority is delegated by the Board of Directors.

As at November 1, 2024, no share options had been granted under the Plan.

11. Non-controlling interests

	MT Properties LP $	MVP $	Total $
Balance – September 1, 2022	11,913	887	12,800
Net income and comprehensive income	346	11	357
Distributions to non-controlling interests	(274)	-	(274)
Balance – August 31, 2023	11,985	898	12,883
Net loss and comprehensive loss	(22)	(62)	(84)
Distributions to non-controlling interests	(195)	-	(195)
Transaction with non-controlling interests (note 11(a))	-	(836)	(836)
Balance – August 31, 2024	11,768	-	11,768

a. MVP

On July 3, 2024, the Company acquired the remaining 0.25% equity interest in its subsidiary MVP following completion of MVP’s share consolidation and going private transaction (the “Transaction”). The Transaction was structured as a consolidation of MVP’s Class B Voting Common Shares (the “MVP Class B Shares”) with all MVP Class B Shares being consolidated on the basis of one post-consolidation MVP Class B Share for each 1,941,489 pre-consolidation MVP Class B Shares, without any entitlement to receive fractional shares. In lieu of receiving a fractional share, minority shareholders were paid cash consideration of $0.36 per pre-consolidation MVP Class B share. As a result of the consolidation, the Company became the holder of the sole post-consolidation MVP Class B Share and the sole remaining shareholder of MVP.

MVP’s shareholders approved the Transaction at a special meeting of the shareholders of MVP held on June 27, 2024. The vote in favour of completing the Transaction was approved by 94.63% of the votes cast by holders of MVP Class B Shares, excluding the votes cast by the Company and its related entities and their joint actors. MVP paid total consideration of $1,000 to its minority shareholders. Following the completion of the share consolidation, MVP received an order from the securities regulatory authorities whereby it ceased to be a reporting issuer. The Transaction was accounted for as an equity transaction. The difference between the consideration paid and the related transaction costs for a total of $1,211, and the carrying value of non-controlling interests of MVP as at July 3, 2024 of $375 was charged to retained earnings in the consolidated statement of financial position.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

b. MT Properties LP

As at August 31, 2024 and August 31, 2023 and for the years then ended, the Company's 60.9% share of the MT Properties LP's assets, liabilities, revenue, expenses, and net loss on fair value adjustment on investment properties are as follows:

	August 31, 2024 $	**August 31, 2023 $**
Assets	41,802	42,800
Liabilities	23,194	23,853
Revenue	2,959	2,868
Expenses	2,415	1,554
Net loss on fair value adjustment on investment properties	(578)	(775)

12. Dividends

On July 12, 2024, the Company declared a dividend of $0.0525 per Class B Share and Class C Share payable on September 4, 2024.

On January 12, 2024, the Company declared a dividend of $0.0525 per Class B Share and Class C Share payable on February 21, 2024.

On July 13, 2023, the Company declared a dividend of $0.0525 per Class B Share and Class C Share payable on September 6, 2023.

On January 12, 2023, the Company declared a dividend of $0.0525 per Class B Share and Class C Share payable on February 21, 2023.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

13. Property revenues

The following table summarizes the components of property revenues for the years ended:

	August 31, 2024 **$**	**August 31, 2023** **$**
Rental revenue	43,295	39,356
Property management revenue	1,192	1,111
	44,487	40,467

Future minimum rental commitments on non-cancellable tenant operating leases on a calendar year basis beginning January 1, 2025 are summarized in the following table:

	$
Not later than 1 year	30,070
Later than 1 year and not later than 5 years	65,281
Later than 5 years	24,360
	119,711

14. Property operating and general administrative expenses

The following table summarizes the components of property operating and general administrative expenses for the years ended:

	August 31, 2024 **$**	**August 31, 2023** **$**
Property taxes	8,570	7,940
Other property-related expense	4,470	5,026
Property operating expenses	13,040	12,966
Employee compensation and benefits	2,494	1,965
Professional fees	1,975	4,072
Other administrative expenses	874	736
General and administrative expenses	5,343	6,773

Property operating expenses that relate to investment property vacancies amounted to $537 for the year ended August 31, 2024 (year ended August 31, 2023 - $343).

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

15. Income taxes

The following table provides the components of income taxes for the years ended:

	August 31, 2024 $	August 31, 2023 $
Current income tax expense	5,822	3,949
Provision for uncertain tax positions	36,672	-
Deferred income tax (recovery) expense	(1,218)	1,318
	41,276	5,267

Income taxes vary from the amount that would be expected if computed by applying the Canadian federal and provincial statutory income tax rates to the Company's (loss) income before income taxes as shown in the following table for the years ended:

	August 31, 2024		August 31, 2023	
	$		$	
(Loss) income before income taxes	(2,933)		24,246	
	$	%	$	%
Expected income taxes at statutory rates	(802)	27.3	6,501	26.8
Adjustments				
Provision for uncertain tax positions	36,672	(1,250.3)	-	-
Non-deductible interest expense	3,983	(135.8)	-	-
Non-taxable portion of unrealized capital losses (gains)	17	(0.6)	(652)	(2.7)
Recognition of previously unrecognized tax assets	-	-	(645)	(2.7)
Equity earnings in associate and joint ventures	(97)	3.3	(1,987)	(8.2)
Taxable portion of earnings from joint ventures	144	(4.9)	1,916	7.9
Unrealized losses on fair value adjustment on interest rate swaps	1,133	(38.6)	32	0.1
Other items	(237)	8.1	102	0.5
Adjustment in respect of prior years	463	(15.8)	-	-
Income taxes	41,276	(1,407.3)	5,267	21.7

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

Deferred income tax liabilities (assets) comprise the following:

	August 31, 2024 $	**August 31, 2023 $**
Benefit of non-capital losses carried forward	(5,241)	(4,621)
Benefit of capital losses carried forward	-	(503)
Deferred income tax assets not recognized	-	946
Deferred partnership income	(230)	640
Investment properties	60,162	59,098
Tenant improvements and leasing costs	1,181	1,220
Straight-line rental revenue in excess of base rents	613	579
Investment tax credits	-	236
	56,485	57,595

The entire change in deferred income tax liabilities for the years ended August 31, 2024 and August 31, 2023 has been recognized in net (loss) income for those respective years.

As at August 31, 2024, the Company has approximately $19,160 of non-capital losses which begin to expire in 2033, which may be used to reduce future Canadian income taxes otherwise payable.

The non-capital losses expire as follows:

	Non-capital losses carried forward $
2033	40
2034	29
2035	108
2036	14
2037	38
2038	2,389
2039	1,396
2040	1,049
2041	3,520
2042	3,538
2043	2,991
2044	4,048
	19,160

Uncertain tax positions

The Company and certain subsidiaries received tax notices of reassessment for various taxation years from the Canada Revenue Agency ("CRA") and Alberta Tax and Revenue Administration ("ATRA"). The reassessments denied the application and usage of certain non-capital losses, capital losses, deductions and investment tax credits arising from prior years. In addition, the CRA and ATRA disallowed unclaimed carryforward non-capital losses of $657, carryforward capital losses of $6,494, and carryforward investment tax credits of $4,457. The Company and its subsidiaries filed notices of objection and notices of appeal to the reassessments with the CRA and ATRA. The Company and its subsidiaries were required to make deposits totalling $19,270 for a portion of the taxes and interest the CRA and ATRA claim are owed. The Company and its subsidiaries made these deposits at the time of filing the notice of objections.

A trial in the TCC for one of the reassessed companies, Madison Pacific Properties Inc., was heard in 2020, 2022 and in 2023 (the "MPP Appeal"). On December 27, 2023, the TCC released its decision for the MPP Appeal in favour of the CRA's position, confirming the CRA's reassessments. The decision denied Madison Pacific Properties Inc.'s ability to use certain carryforward losses as described above for certain taxation years between 2009 and 2017. On January 26, 2024, the Company filed a notice of appeal to the Federal Court of Appeal ("FCA") to appeal the decision issued by the TCC.

Based on the decision of the TCC in respect of the MPP Appeal and other related factors, including the accounting criteria under IFRS regarding tax contingencies, the Company has recorded a full provision against the carrying value of the deposits (note 5), deferred tax assets related to unused carryforward amounts and a liability for unpaid estimated awarded legal costs for all three sets of reassessments. The total of these amounts, $51,450, is recognized partially as income tax expense of $36,672 and partially as interest expense and other costs on uncertain tax positions of $14,778 in the Consolidated Statement of (Loss) Income and Comprehensive (Loss) Income during the year ended August 31, 2024.

The Company and its subsidiaries made an additional payment for the estimated outstanding liability claimed of $31,310 to the CRA and ATRA during the year ended August 31, 2024. As of August 31, 2024, the Company has paid cash tax deposits totalling $50,580 to the CRA and ATRA for the taxes and estimated interest the CRA and ATRA claimed are owed.

No trial dates have been set for the Company's other subsidiaries. As a result of the TCC decision in the MPP Appeal, the Company will continue to evaluate its defense positions in respect of the two other reassessed subsidiaries. If the Company is ultimately successful in defending its positions, deposits made plus applicable interest will be refunded to the Company. There are no assurances that the Company's objections and appeals will be successful. If the CRA and ATRA are successful, the deposits for potential tax liability would be forfeited to the CRA and ATRA.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

16. (Loss) income per share

	Years ended August 31, 2024	2023
Net (loss) income attributable to shareholders of the Company	($44,125)	$18,622
Weighted average number of shares outstanding	59,462,555	59,462,555
Basic and diluted (loss) income per share	($0.74)	$0.31

17. Related party transactions

The following transactions occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts agreed upon by the related parties:

The Company has engaged the services of a landscaping and building services company owned by a related party. During the year ended August 31, 2024, landscaping, maintenance, construction management services and property management services paid to this company totalled $836 (year ended August 31, 2023 - $521).

On January 31, 2024, the Company acquired 328,240 newly issued shares in its equity investee GSP for $2,137. On April 9, 2024, the Company acquired an additional 153,610 GSP shares from an unrelated GSP shareholder for $1,000, resulting in a total interest of 36.04% (August 31, 2023 - 33.85%). GSP is a private company where certain of its shareholders and key management personnel are related to a director of Madison.

During the year ended August 31, 2024, the Company jointly acquired three apartment properties with its equity investee, GSP (note 3(b)). During the year ended August 31, 2023, the Company also jointly acquired a 40-unit apartment property with GSP (note 3(b)). Subsequent to August 31, 2024, the Company jointly acquired two additional apartment properties with GSP (note 22).

During the year ended August 31, 2023, the Company made short-term interest bearing advances of $3,500 to GSP. As at August 31, 2023, these advances were fully repaid to the Company. During the year ended August 31, 2023 the Company earned $91 of interest at bank prime rate plus 0.5%.

During the year ended August 31, 2024, the Company engaged the services of an electrical contractor controlled by a shareholder of the Company for which it paid fees of $8 (year ended August 31, 2023 - $8).

During the year ended August 31, 2024, rental revenues of $4,203 (year ended August 31, 2023 - $4,129) were received from a shareholder of the Company and from tenants that are companies related to a shareholder of the Company.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

During the year ended August 31, 2024, the Company incurred management consulting charges of $1,392 from a shareholder of the Company for asset management services, development and other management support, and tax services (year ended August 31, 2023 - $1,016), which included the compensation of the Company's chief executive officer, paid to the shareholder pursuant to a management service agreement for a total of $480 (July 17, 2023 to August 31, 2023 - $58). During the year ended August 31, 2023, the Company also incurred a one-time consulting charge of $2,812 from a shareholder of the Company for asset management services related to the Company's investment in the Silverdale Hills LP.

During the year ended August 31, 2024, the Company recorded administration expenses of $31 from a shareholder of the Company and from a company controlled by a shareholder of the Company (year ended August 31, 2023 - $19).

The Company has provided a limited guarantee of $14,726 on the MT Properties Limited Partnership mortgage debt. During the year ended August 31, 2024, a guarantee fee of $44 (year ended August 31, 2023 - $44) was paid to the Company.

Key management personnel

Key management personnel include the Company's directors and officers. The following table summarizes compensation awarded to key management personnel for the years ended:

	August 31, 2024 **$**	**August 31, 2023** **$**
Salaries and short-term employee benefits	1,987	1,649

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

18. Interest in joint operations

The Company's interests in investment properties owned through joint operations accounted for using proportionate consolidation are as follows:

		Ownership interest as at	
Location	**Description**	**August 31, 2024**	**August 31, 2023**
Richmond, British Columbia			
11388 No. 5 Road	Industrial	50%	50%
Burnaby, British Columbia			
7700 Riverfront Gate	Industrial	50%	50%
4750 Tillicum Street	Industrial	50%	50%
Vancouver, British Columbia			
1625 West 3rd Avenue & 1855 Fir Street	Retail	50%	50%
148 West 6th Avenue	Industrial	50%	50%
110-122 West 2nd Avenue	Industrial	50%	50%
1209-1249 Adanac Street	Industrial	50%	50%
233 East 14th Avenue	Residential apartments	50%	50%
1530 Graveley Street (note 3(b))	Residential apartments	50%	50%
1873 Adanac Street (note 3(b))	Residential apartments	50%	-
2275 Oxford Street (note 3(b))	Residential apartments	50%	-
1465 West 14th Avenue (note 3(b))	Residential apartments	50%	-

For these joint operations, the fair value of investment properties and carrying value of debt on those investment properties, at 50%, as at August 31, 2024 were $100,052 and $41,962, respectively (August 31, 2023 - $85,803 and $34,485, respectively). The Company is contingently liable for the obligations of its joint operations. Management believes that the assets of its joint operations are available and sufficient for the purpose of satisfying such obligations.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

19. Financial instruments

Fair value of financial instruments

The following table categorizes financial assets or liabilities measured or disclosed at fair value by level according to the significance of inputs used in making measurements:

		August 31, 2024		August 31, 2023	
	Fair value hierarchy	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Recurring measurement		**$**	**$**	**$**	**$**
Fair value assets on interest rate swaps	Level 3	942	942	4,009	4,009
Fair value liabilities on interest rate swaps	Level 3	1,128	1,128	-	-
Fair values disclosed					
Debt on investment properties (Excluding land lease liability)	Level 3	300,639	296,517	306,480	293,936

Cash and cash equivalents, amounts receivable and other current assets, other non-current assets, and accounts payable and accrued liabilities have fair values that approximate their carrying values.

The estimated fair values of debt on investment properties and interest rate swaps are based on values derived using market interest rates of similar instruments and incorporate assumptions regarding current market interest rates, terms, and the related risk. Accordingly, changes in these assumptions would result in a variance in the fair value estimates.

The fair value of debt on investment properties as at August 31, 2024 and August 31, 2023 is determined by discounting the expected cash flows of each mortgage using market discount rates. The fair value is estimated based on discounted cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. In determining the adjustment for credit risk, the Company considers market conditions, the fair value of the investment properties that the mortgages are secured by and other indicators of the Company's creditworthiness. As a result, these measurements are classified as level 3 in the fair value hierarchy.

The Company recognizes transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer. There were no transfers between hierarchy levels during the year.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

Financial assets and liabilities

The Company classifies its financial instruments as follows:

August 31, 2024	**Financial assets at amortized cost $**	**Financial liabilities at amortized cost $**	**Financial assets at FVTPL $**	**Financial liabilities at FVTPL $**
Other non-current financial assets	4,374	-	-	-
Cash and cash equivalents	14,631	-	-	-
Amounts receivable and other current financial assets	788	-	-	-
Debt on investment properties (excluding land lease liability)	-	300,639	-	-
Accounts payable and accrued liabilities	-	10,701	-	-
Fair value assets on interest rate swaps	-	-	942	-
Fair value liabilities on interest rate swaps	-	-	-	1,128
Total	19,793	311,340	942	1,128

August 31, 2023	**Financial assets at amortized cost $**	**Financial liabilities at amortized cost $**	**Financial assets at FVTPL $**
Other non-current financial assets	19,293	-	-
Cash and cash equivalents	45,157	-	-
Amounts receivable and other current financial assets	1,074	-	-
Debt on investment properties (excluding land lease liability)	-	306,480	-
Accounts payable and accrued liabilities	-	10,323	-
Fair value assets on interest rate swaps	-	-	4,009
Total	65,524	316,803	4,009

a. Credit risk

The Company's credit risk is limited to the carrying amount of its cash and cash equivalents, amounts receivable, and long-term receivables.

i. Cash and cash equivalents

Deposits of cash are made with major Canadian banks and only with counterparties meeting certain credit criteria.

ii. Amounts receivable

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments or repay loans advanced to assist them with leasehold improvements.

The Company follows a program of credit evaluations of tenants and limits the amount of credit extended when deemed necessary. The Company maintains provisions for expected credit losses, and any such losses to date have been within management's expectations. As at August 31, 2024, the Company has recorded a provision against amounts receivable of $138 (August 31, 2023 - $115).

Additionally, the Company mitigates tenant credit risk through staggered lease maturities and diversification of revenue sources resulting from a large tenant base and avoids dependence on any single tenant by ensuring no individual tenant contributes a significant percentage of the Company's gross revenue.

As at August 31, 2024, excluding revenue and leases related to properties under development:

- No one tenant accounted for more than 10.52% (August 31, 2023 – 11.40%) of the Company's rental revenue.
- Lease maturities were staggered such that no more than 29.21% (August 31, 2023 – 28.45%) of the rental space was subject to renewal in any one year.

b. Interest rate risk

Borrowings under the Company's operating line of credit bear interest at variable rates. The majority of the Company's mortgages bear interest at fixed rates, and therefore, the Company is not exposed to significant interest rate risk on those fixed rate mortgages. As at August 31, 2024, $nil (August 31, 2023 - $nil) had been drawn on the line of credit and the Company had $2,736 (August 31, 2023 - $nil) in variable rate mortgages. These variable rate borrowings represent 0.9% (August 31, 2023 - nil) of the Company's total borrowings. The impact of a 1% change in the Company's variable rate borrowings would increase or decrease interest expense and pre-tax earnings for the year by $27 (year ended August 31, 2023 - $nil). Additionally, the Company earns interest on its cash and cash equivalent balances at variable rates.

c. Liquidity risk

The Company manages liquidity by maintaining adequate cash balances and by having an appropriate line of credit available. In addition, the Company regularly monitors and reviews both actual and forecasted cash flows. Refinancing risks are minimized by ensuring debt on investment properties has a balanced maturity schedule. Debt on investment properties maturities were staggered such that no more than 33.08% matures in one year. Management does not anticipate any difficulty in refinancing debt on investment properties under similar terms as the debt matures.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

The following table details the minimum principal repayments for debt on investment properties and the minimum annual lease payments with respect to a land lease:

	Minimum commitments by fiscal year						
	2025 $	2026 $	2027 $	2028 $	2029 $	There-after $	Total $
Debt on investment properties	104,427	23,710	85,276	70,678	5,630	11,660	301,381
Undiscounted land lease liability	102	104	107	109	110	2,827	3,359

20. Segment information

The Company's chief executive officer and chief financial officer examined the Company's performance and have concluded that the Company has one reportable segment - that being the rental of industrial, commercial, multi-family, retail and office real estate properties located in Canada. Although properties are in different Canadian regions and in different asset classes, they have reasonably similar returns and risks.

21. Capital management

The primary objective of the Company's capital management is to ensure that it maintains adequate capital resources in order to support its business and maximize shareholder value. The Company manages its capital structure with the goal of minimizing risk to the stability of cash flows from properties. Other goals include maintaining debt service coverage, interest coverage, and debt to equity ratios as well as maintaining minimum amounts of shareholders' equity as required by the Company's line of credit agreement. The Company's capital includes mortgage loans, construction loans, a lease liability, a line of credit, and equity.

The Company's principal source of financing is from mortgage loans. The ability to obtain a mortgage loan is dependent on the value of a specific property and the cash flows the property generates and the availability of funds from time to time from lending institutions. The Company expects to renew mortgage loans under similar terms as they become due except for higher interest rates.

There have been no changes in the Company's approach to capital management in the year ended August 31, 2024.

(expressed in thousands of Canadian dollars, except number of shares and per share amounts)

The calculation of the total capital, excluding the undrawn line of credit, is summarized as follows:

	August 31, 2024 $	**August 31, 2023 $**
Fixed rate mortgage loans and lease liability	300,914	309,538
Variable rate mortgages	2,736	-
	303,650	309,538
Equity	411,947	462,691
	715,597	772,229

22. Subsequent events

On September 4, 2024, the Company acquired a 50% interest in a 35-unit apartment property in Metro Vancouver for $7,322, including closing costs and taxes. The purchase price for this apartment property was settled by the assumption of a mortgage of $3,235 and cash for $4,087 (note 17).

On September 4, 2024, the Company also acquired a 50% interest in a 20-unit apartment property in Metro Vancouver for $3,905 including closing costs and taxes (note 17).

Deposits totalling $4,362 has been paid for these two acquisitions.