NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Financial Statements
(in Canadian dollars)

For the three and nine months ended September 30, 2017 and September 30, 2016

(Unaudited)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Balance Sheet
(in thousands of Canadian dollars)
Unaudited

As at	Note	September 30, 2017	December 31, 2016
Assets			
Investment properties	8	$ 4,100,449	$ 3,040,354
Investment in associates	9	—	95,351
Intangible assets	10	47,299	103,196
Goodwill	4	131,695	41,671
Financial instruments	16	2,504	449
Accounts receivable		9,417	7,636
Other assets	11	95,824	19,625
Cash and restricted cash	12	34,781	20,251
Assets held for sale	7	32,117	—
Total assets		$ 4,454,086	$ 3,328,533
Liabilities			
Mortgages and loans payable	13	$ 2,071,194	$ 1,365,676
Deferred consideration	14	37	13,119
Convertible debentures	15	342,239	331,834
Deferred revenue		334	573
Deferred tax liability		194,720	140,150
Financial instruments	16	21,540	15,077
Income tax payable		16,079	14,230
Accounts payable and accrued liabilities	20	63,430	44,740
Distributions payable		5,845	4,629
Liabilities related to assets held for sale	7	9,172	—
		2,724,590	1,930,028
Deferred unit plan liability	17	17,887	14,935
Class B exchangeable units	18	215,248	193,780
Total liabilities		$ 2,957,725	$ 2,138,743
Unitholders' Equity			
Unitholders' equity	19	813,561	704,285
Non-controlling interest	23	682,800	485,505
Total liabilities and unitholders' equity		$ 4,454,086	$ 3,328,533

The condensed consolidated interim financial statements were approved by the Board on November 9, 2017 and signed on its behalf by:
“Colin Loudon” Trustee
“Paul Dalla Lana” Trustee

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)
Unaudited

	Note	For the three months ended September 30, 2017	2016	For the nine months ended September 30, 2017	2016
Net Property Operating Income					
Revenue from investment properties		**$ 83,932**	$ 66,488	**$ 229,530**	$ 195,563
Property operating costs		**22,127**	18,211	**60,700**	56,523
		61,805	48,277	**168,830**	139,040
Other Income					
Interest		**1,542**	1,070	**2,460**	2,250
Management fees	**10**	**124**	960	**7,608**	960
Share of profit of associates	**9**	**—**	819	**43,681**	819
		1,666	2,849	**53,749**	4,029
Expenses					
Mortgage and loan interest expense		**28,422**	18,902	**71,043**	55,129
General and administrative expenses		**6,049**	2,734	**18,399**	14,538
Transaction costs		**557**	230	**12,433**	3,811
Foreign exchange (income) loss		**(3,075)**	4,293	**(69)**	2,283
		31,953	26,159	**101,806**	75,761
Income before other finance costs, fair value adjustments, and net loss on disposal of investment property, and net gain on business combination		**31,518**	**24,967**	**120,773**	**67,308**
Finance Costs					
Amortization of financing costs		**(2,470)**	(1,391)	**(5,554)**	(3,374)
Amortization of mark-to-market adjustment		**731**	997	**2,276**	5,187
Class B exchangeable unit distributions	**18**	**(3,799)**	(3,799)	**(11,399)**	(11,399)
Fair value adjustment of Class B exchangeable units	**18**	**(12,349)**	(8,169)	**(21,468)**	(29,067)
Accretion of financial liabilities	**13**	**(1,134)**	(2,160)	**(3,109)**	(7,587)
Fair value adjustment of convertible debentures	**15**	**(1,342)**	(5,693)	**(10,405)**	(11,246)
Convertible debenture issuance costs		**—**	(3,117)	**—**	(3,117)
Fair value gain (loss) on financial instrument	**16**	**747**	(7,101)	**4,365**	(10,985)
Fair value adjustment of investment properties	**8**	**13,744**	14,978	**206,460**	62,893
Net loss on disposal of investment properties	**6**	**—**	(1,127)	**—**	(2,807)
Fair value adjustment of deferred unit plan liability	**17**	**(878)**	457	**(1,696)**	(1,165)
Loss on business combination	**4,5**	**(89,578)**	—	**(89,578)**	53
Income (loss) before taxes		**(64,810)**	8,842	**190,665**	54,694
Income tax expense		**6,403**	5,209	**25,545**	26,409
Net income (loss)		**$ (71,213)**	$ 3,633	**$ 165,120**	$ 28,285
Net income (loss) attributable to:					
Unitholders'		**$ (80,713)**	$ (5,285)	**$ 33,003**	$ (20,494)
Non-controlling interest		**9,500**	8,918	**132,117**	48,779
		$ (71,213)	$ 3,633	**$ 165,120**	$ 28,285

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss) (cont.)
(in thousands of Canadian dollars)
Unaudited

	Note	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Net Income (loss)		**$ (71,213)**	$ 3,633	**$ 165,120**	$ 28,285
Other comprehensive income (loss):					
Items that will be reclassified subsequently to income:					
Foreign currency translation adjustment		**$ (32,014)**	$ 36,350	**$ (34,828)**	$ 41,781
Fair value loss on available for sale investments		**—**	5	**—**	—
Unrealized foregin exchange gains/(losses) on available for sale investment		**—**	(27)	**—**	—
Realised foreign exchange gains/(losses) on hedges		**1,499**	9,540	**1,005**	16,826
Current taxation (expense)/credit		**(419)**	(2,671)	**(281)**	(4,711)
Unrealised foreign exchange gains/(losses) on hedges		**(1,708)**	(8,507)	**166**	(9,060)
Deferred taxation (expense)/credit		**479**	2,382	**(46)**	2,537
Fair value gain (loss) on net investment hedges		**(3,027)**	(336)	**(3,925)**	1,150
Deferred taxation (expense)/credit		**847**	96	**1,098**	(322)
Other comprehensive income (loss), net of tax		**(34,343)**	36,832	**(36,811)**	48,201
Total comprehensive income (loss) for the period		**$ (105,556)**	$ 40,465	**$ 128,309**	$ 76,486
Total comprehensive income (loss) attributable to:					
Unitholders		**$ (129,944)**	$ 29,749	**$ (20,507)**	$ 27,021
Non-controlling interest		**24,386**	10,716	**148,816**	49,465
		$ (105,558)	$ 40,465	**$ 128,309**	$ 76,486

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

NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES REAL ESTATE
Condensed Consolidated Interim Statements of Unitholders Equity
(in thousands of Canadian dollars)
Unaudited

	Note	Unitholders' Equity	Contributed Surplus	Reduction on Reclassification to Liabilities	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2015		**$ 453,308**	**$ 39,839**	**$ (115)**	**$ (60,136)**	**$ (3,366)**	**$ 85,948**	**$ 515,478**	**$ 327,483**	**$ 842,961**
Public offering of units	**19**	143,896	—	—	—	—	—	143,896	107,835	251,731
Units issued through distribution reinvestment plan		3,489	—	—	—	—	—	3,489	2,761	6,250
Units issued on exercise of deferred units	**19**	2,953	—	—	—	—	—	2,953	—	2,953
Cancellation of REIT units under normal course issuer bid	**19**	(285)	—	—	—	—	—	(285)	—	(285)
Distributions		—	—	—	(36,848)	—	—	(36,848)	(16,323)	(53,171)
Currency translation differences		—	—	—	—	45,942	—	45,942	(4,161)	41,781
Other comprehensive income (loss)		—	—	—	—	1,574	—	1,574	4,846	6,420
Net income (loss) for the period		—	—	—	—	—	(20,494)	(20,494)	48,779	28,285
Balance, September 30, 2016		603,361	39,839	(115)	(96,984)	44,150	65,454	655,705	471,220	1,126,925
Public offering of units	**19**	(101)	—	—	—	—	—	(101)	—	(101)
Units issued through distribution reinvestment plan		1,332	—	—	—	—	—	1,332	1,302	2,634
Distributions		—	—	—	(13,873)	—	—	(13,873)	(6,546)	(20,419)
Foreign currency translation differences		—	—	—	—	(16,509)	—	(16,509)	(4,679)	(21,188)
Other comprehensive income (loss)		—	—	—	—	274	—	274	819	1,093
Net income (loss) for the period		—	—	—	—	—	77,457	77,457	23,389	100,846
Balance, December 31, 2016		$ 604,592	$ 39,839	$ (115)	$ (110,857)	$ 27,915	$ 142,911	$ 704,285	$ 485,505	$ 1,189,790
Public offering of units	**19**	175,265	—	—	—	—	—	175,265	6,093	181,358
Units issued through distribution reinvestment plan		4,590	—	—	—	—	—	4,590	4,468	9,058
Units issued on exercise of deferred units	**19**	561	—	—	—	—	—	561	—	561
Acquisition of control of subsidiary	**4**	—	—	—	—	—	—	—	57,942	57,942
Distributions		—	—	—	(50,633)	—	—	(50,633)	(20,024)	(70,657)
Foreign currency translation differences		—	—	—	—	(53,018)	—	(53,018)	18,190	(34,828)
Other comprehensive income (loss)		—	—	—	—	(492)	—	(492)	(1,491)	(1,983)
Net income (loss) for the period		—	—	—	—	—	33,003	33,003	132,117	165,120
Balance, September 30, 2017		$ 785,008	$ 39,839	$ (115)	$ (161,490)	$ (25,595)	$ 175,914	$ 813,561	$ 682,800	$ 1,496,361

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

Unaudited

	Note	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
Cash provided by (used in):					
Operating activities					
Net income before taxes		$ **(64,810)**	$ 8,842	$ **190,665**	$ 54,694
Adjustment for:					
Amortization		**324**	156	**1,105**	311
Mortgage and loan interest		**28,422**	18,902	**71,043**	55,129
Mortgage and loans interest paid		**(25,564)**	(17,927)	**(64,455)**	(55,925)
Finance costs					
Amortization of financing costs		**2,470**	1,391	**5,554**	3,374
Amortization of mark-to-market		**(731)**	(997)	**(2,276)**	(5,187)
Class B exchangeable unit distributions	**18**	**3,799**	3,799	**11,399**	11,399
Fair value adjustment of Class B	**18**	**12,349**	8,169	**21,468**	29,067
Accretion of financial liabilities	**13**	**1,134**	2,160	**3,109**	7,587
Fair value adjustment of convertible	**15**	**1,342**	5,693	**10,405**	11,246
Convertible debenture issuance costs		**—**	3,117	**—**	3,117
Interest Income		**(1,542)**	(1,070)	**(2,460)**	(2,250)
Share of profit of associate	**9**	**—**	(686)	**(43,681)**	(686)
Loss on business combination	**5**	**89,578**	—	**89,578**	(53)
Unrealized foreign exchange (gain)/loss		**(3,075)**	4,287	**(36)**	2,345
Amortization of deferred revenue		**(226)**	(298)	**(874)**	(863)
Amortization of finance leases receivable/		**(77)**	—	**(77)**	—
Fair value adjustment of investment	**8**	**(13,744)**	(14,978)	**(206,460)**	(62,893)
Fair value (gain)/loss on financial	**16**	**(747)**	7,512	**(4,365)**	11,780
Net loss on disposal of investment	**7**	**—**	1,127	**—**	2,807
Fair value adjustment of deferred unit plan		**878**	(457)	**1,696**	1,165
Unit based compensation expense		**735**	(1,572)	**3,728**	2,176
Redemption of units issued under deferred		**(1,355)**	—	**(1,811)**	(54)
Income taxes paid		**(144)**	(2,153)	**(3,921)**	(5,022)
Changes in non-cash working capital	**20**	**(5,242)**	11,515	**(9,004)**	7,347
Cash provided by (used in) operating		**23,774**	36,532	**70,330**	70,611
Investing activities					
Acquisitions of investment properties	**6**	**(35,517)**	(94,076)	**(161,715)**	(169,696)
Additions to investment properties	**8**	**(24,250)**	(15,073)	**(62,485)**	(62,404)
Net proceeds on disposal of investment	**7**	**—**	34,774	**—**	79,193
Additions to investment in associate	**9**	**—**	(95,314)	**(376,867)**	(95,314)
Investment in subsidiary	**5**	**(32,361)**	(162)	**(32,979)**	(56,388)
Investment in financial assets	**16**	**—**	—	**—**	(1,750)
Cash interest received		**1,276**	1,070	**2,194**	2,250
Cash acquired on acquisition of control	**3**	**4,695**	2	**4,891**	2
Distributions from associates		**—**	—	**7,354**	—
Additions to furnitures and fixtures		**(929)**	(50)	**(1,693)**	(84)
Receipts (payments) from foreign exchange		**1,499**	9,898	**1,207**	17,438
Net decrease (increase) to restricted cash		**—**	(64)	**—**	(487)
Cash provided by (used in) investing		**(85,587)**	(158,995)	**(620,093)**	(287,240)
Financing activities					
Mortgage and loan proceeds		**17,875**	136,529	**395,392**	319,449
Mortgage and loans discharged	**13**	**—**	(101,919)	**(90,623)**	(208,222)
Repayment of mortgages		**(4,779)**	(4,864)	**(15,008)**	(14,429)
Repurchase of units under normal course	**19**	**—**	—	**—**	(286)
Net advances (repayments) of loans payable		**58,332**	(89,435)	**191,222**	(46,363)
Issuance of convertible debentures, net of		**—**	74,750	**—**	74,750
Proceeds from issue of units, net of issue	**19**	**6,092**	176,348	**181,358**	251,786
Financing fees paid		**(346)**	(5,084)	**(7,741)**	(11,413)
Net (payments) advances from related parties		**(43)**	72	**308**	(563)
Payment of deferred consideration		**(6,779)**	—	**(12,836)**	(30,627)
Distributions paid		**(15,841)**	(12,327)	**(44,779)**	(32,254)
Class B exchangeable units distributions paid	**18**	**(3,799)**	(3,799)	**(11,399)**	(11,399)
Distributions paid to non-controlling interest		**(5,607)**	(6,564)	**(15,552)**	(16,144)
Cash provided by (used in) financing		**45,105**	163,707	**570,342**	274,285
Net change in cash		**(16,708)**	41,244	**20,579**	57,656
Effect of foreign currency translation		**(1,077)**	(948)	**(6,067)**	1,163
Net change in cash		**(17,785)**	40,296	**14,512**	58,819
Cash, beginning of period		**52,252**	33,358	**19,955**	14,835
Cash, end of period		$ **34,467**	$ 73,654	$ **34,467**	$ 73,654

Supplemental disclosure relating to non‑cash financing and investing activities (note 20(ii))

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT"), is a Canadian open-end trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015. The registered office of the REIT is 180 Dundas Street West, Suite 1100, Toronto, Ontario, M5G 1Z8.

1. Basis of Preparation

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting. Certain information and note disclosure normally included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2016.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for investment properties, convertible debentures, derivative financial instruments, Class B exchangeable units and deferred units under the deferred unit plan ("DUP"), which are stated at fair value.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except per unit amounts which are presented in Canadian dollars. The Canadian dollar is the REIT's functional currency.

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT.

3. Acquisition of Northwest Healthcare Australia RE Limited ("NWH RE")

On April 8, 2017 the REIT completed the acquisition of Quay Fund Solutions Limited (subsequently renamed to NWH RE) for gross consideration of $618 (A$606). The REIT determined that the purchase of NWH RE constituted a business acquisition, and accounted in accordance with IFRS 3 - Business Combinations.

The REIT allocated $568 (A$556) of the purchase price to the right to utilize NWH RE as a responsible entity with respect to GHC. The responsible entity right has been accounted for as an indefinite life intangible asset (see note 10). The remaining purchase price was allocated to nominal amounts of working capital held by NWH RE on acquisition date, including cash.

On July 14, 2017, the REIT passed a resolution to appoint NWH RE as the responsible entity of GHC.

4. Business Combination of Generation Healthcare REIT ("GHC")

On July 14, 2017, NWH RE, a wholly owned subsidiary of the REIT, was appointed as the responsible entity of GHC. On July 17, 2017, the REIT completed the purchase of all remaining GHC units it did not previously own for approximately $32,362 under the terms of the compulsory acquisition notice that was dispatched on June 16, 2017. As a result of these events, the REIT determined that it had obtained control of GHC as defined under IFRS 10 - Consolidated Financial Statements.

The REIT formed its assessment that it has control over GHC based on the following key observations: i) the REIT has 100% ownership interest in GHC, which gives the REIT the ability to appoint the directors, the manager and the responsible entity of GHC; ii) the REIT controls the external responsible entity of GHC through the 100% ownership in Northwest Healthcare Australia RE Limited. The ownership of NWH RE, which acts as the board of directors of GHC, provides the REIT with the ability to direct investment, financing and distribution decisions over GHC and iii) through its 100% control of Generation Healthcare Management

(in thousands of Canadian dollars)

Pty Limited ("GHM"), the external asset manager for GHC, the REIT directs decisions over the day to day operations and administration of GHC.

The REIT also determined that GHC meets the definition of a business in accordance with IFRS 3 - Business Combinations and accordingly accounted for the compulsory acquisition as a business combination. The purchase consideration transferred by the REIT under step acquisition accounting consists of the following:

- the fair value of the REIT's existing investment in GHC (see note 9);
- consideration paid to purchase GHC units under the compulsory acquisition notice

The REIT's existing investment in GHC of 206,609,948 GHC units represented an ownership interest of 93.6%, and had a fair value of $473,112. The REIT had an investment in associate balance related to its investment in GHC of $507,348. As the fair value of the REIT's existing investment in GHC is less than carrying value of the investment in associate, the REIT recognized a loss of $34,236 upon initial business combination. The REIT also recorded loss upon initial business combination of $57,723 related to GHC management contract (see note 10) and gain of $539 related to foreign exchange forward arrangement with respect to purchases of GHC units under the GHC Bid (see note 9). Accumulated foreign currency translation gains of $1,842 related to GHC that were previously recorded in other comprehensive income/(loss) were recognized as part of loss on initial business combination, upon application of step acquisition accounting .

The preliminary purchase equation is summarized as follows:

Investment properties	$	691,674
Other assets		73,222
Derivatives		248
Accounts Receivable		2,616
Cash and cash equivalent		4,695
Mortgages and loans payable		(234,333)
Financial instruments		(8,777)
Other liabilities		(16,726)
Deferred tax liability		(41,007)
Non-controlling interest		(57,942)
Net assets acquired	$	413,670
Consideration:		
Fair value of the REIT's interest in GHC	$	473,112
Additional interest acquired from compulsory acquisition		32,362
	$	505,474
Goodwill	**$**	**91,804**

During the three and nine months ended September 30, 2017, the REIT incurred transaction costs of $1,354 and $12,440 respectively, related to the GHC Bid (see note 9) and compulsory acquisition notice, which have been expensed as incurred in the statement of income (loss) and comprehensive income (loss).

The following pro forma supplemental information presents certain results of operations as if GHC had been consolidated from the beginning of the fiscal period presented:

	For the three months ended September 30, 2017		For the nine months ended September 30, 2017	
	As reported	**Pro forma**	**As reported**	**Pro forma**
Revenues	$ 83,932	$ 83,932	$ 229,530	$ 250,570
Net income (loss) attributable to unitholders	(80,713)	10,219	33,003	49,122

(in thousands of Canadian dollars)

The pro forma supplemental information is based on estimates and assumptions which are believed to be reasonable. The pro forma supplemental information is not necessarily indicative of the REIT's consolidated financial results in future periods or the results that would have been realized had GHC been consolidated at the beginning of the period presented. The pro forma supplemental information excludes business integration costs and opportunities.

5. Acquisition of Generation Healthcare Management

On June 27, 2016, the REIT acquired 100% of GHM, the external asset manager for GHC. The acquisition of GHM is accounted for as a business combination in accordance with IFRS 3 - Business Combinations.

The purchase price equation based on the aggregate fair value of the assets acquired and liabilities assumed on the acquisition date, June 27, 2016 is as follows:

Generation Healthcare REIT management rights (note 8)	$	55,969
Performance fee receivable		8,343
Transition services (note 8)		504
Working capital		(85)
Deferred income tax liability		(2,503)
Net assets acquired	**$**	**62,228**
Consideration comprised of:		
Cash	$	56,387
Deferred consideration		5,788
	$	**62,175**
Net gain on business combination	**$**	**53**

The REIT had recognized deferred consideration for the total amounts payable to the seller at the later of the following: (i) collecting the performance fee receivable accrued at acquisition date, (ii) two years after the date of acquisition or (iii) upon occurrence of a ‘trigger event’ as defined in the acquisition agreement.

As at September 30, 2017, the performance fee receivable had been collected and all deferred consideration has been settled. The REIT also derecognized the GHC management rights as a result of business combination of GHC (see note 10).

(in thousands of Canadian dollars)

6. Property Acquisitions

(a) 2017 Property Acquisitions

Property	Location	Property type	Acquisition date	Total acquisition costs (1)	Property specific debt
Alstadt-Caree Fulda Medical Centre	Fulda, Germany	Medical Office Building	February 1, 2017	$ 11,185	$ 7,417
Medical Care Centre Hamburg-Bergedorf	Hamburg, Germany	Medical Office Building	February 1, 2017	20,228	11,819
Abbotsford Private Hospital`	New South Wales, Australia	Hospital	February 27, 2017	21,781	—
Grafton Aged Care Facility (2)(3)	New South Wales, Australia	Residential Aged Care Facilities	March 31, 2017	9,141	—
Epworth Eastern Hospital(2)	Victoria, Australia	Hospital	March 31, 2017	19,500	—
Ormiston Hospital	Auckland, New Zealand	Hospital	April 5, 2017	33,521	—
Hirondelle Private Hospital	New South Wales, Australia	Hospital	June 1, 2017	25,449	—
The Hills Clinic(2)	New South Wales, Australia	Hospital	August 1, 2017	31,472	
Other(4)	Various			8,686	—
				$ 180,963	**$ 19,236**

(1) Total acquisition costs includes transaction costs incurred with respect to acquiring the asset
(2) Acquired by Vital Trust. The REIT accounts for its approximately 24.8% investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust
(3) Two residential properties adjacent to Grafton Aged Care facility were also acquired for potential future expansion
(4) Other acquisitions include land and properties acquired for future developments

(b) 2016 Property Acquisitions

Property	Location	Property type	Acquisition date	Total acquisition costs (1)	Property specific debt
Sportsmed Private Hospital(2)	Adelaide, Australia	Land	Janaury 20, 2016	$ 5,430	$ —
Hall & Prior Health and Aged Care Group Assets(2)	Perth and Sydney, Australia	Residential Aged Care Facilities	March 1, 2016	43,765	—
Mehrower Allee	Berlin, Germany	Medical Office Buildings	April 14, 2016	23,205	16,203
Boulcott Private Hospital(2)	Lower Hutt, New Zealand	Hospital	July 1, 2016	30,345	—
Hospital Ifor	Sao Paulo, Brazil	Hospital	July 21, 2016	26,323	—
Mons Road Medical Centre(2)	Westmead, Australia	Medical Office Building	September 30, 2016	32,544	—
Hospital Santa Helena	Brasilia, Brazil	Hospital	October 24, 2016	124,557	—
Ekera Medical Centre (2)	Melbourne, Australia	Medical Office Building	November 21, 2016	27,581	—
Other(2)	Various	Land	Various	14,661	—
				$ 328,411	**$ 16,203**

(1) Total acquisition costs includes transaction costs incurred with respect to acquiring the asset
(2) Acquired by Vital Trust. The REIT accounts for its approximately 24.8% investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust
(3) Acquisition of two small parcels of land adjacent to Vital Trust's Sportsmed Private Hospital

(in thousands of Canadian dollars)

7. Property Disposal

As at September 30, 2017, the REIT had classified two medical office buildings with value of $10,443 and $21,674 located in Canada and Australia, respectively, as held for sale. Liabilities associated with the properties as at September 30, 2017 are $9,172 and $nil, respectively representing a first mortgage secured by the property.

During the year ended December 31, 2016, the REIT completed the sale of all assets it had previously classified as held for sale. The REIT sold 13 medical office buildings located in Canada for gross proceeds of $71,875. As part of the transactions, $51,593 of mortgage debt associated with the investment properties was repaid or assumed by the purchaser. On September 16, 2016 the REIT completed the sale and leaseback of a mid-town Toronto parking garage. The sale generated gross proceeds of $21,225. There were no mortgages associated to the property.

8. Investment Properties

As at		**September 30, 2017**		December 31, 2016
Balance, beginning of period	**$**	**3,040,354**	$	2,491,835
Business combination of GHC (note 4)		**691,674**		
Acquisition of investment properties (note 6)		**180,963**		328,411
Disposition of investment properties (note 7)		**—**		(21,225)
Additions to investment properties		**62,485**		67,585
Increase in straight line rents		**1,444**		1,937
Reclassified as assets held for sale (note 7)		**(32,199)**		—
Amortization of deferred revenue		**934**		1,154
Fair value gain (loss)		**206,530**		143,368
Foreign currency translation		**(51,736)**		27,289
Balance, end of period	**$**	**4,100,449**	$	3,040,354

Investment properties are carried at fair value. The investment properties are re-measured to fair value at each reporting date, determined either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers.

Investment properties are carried at fair value. The fair value of the investment properties at September 30, 2017 and December 31, 2016 were determined using a combination of both valuations performed by third-party appraisers and internal valuation models incorporating available market evidence. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, and property level capital expenditures and net operating income.

(in thousands of Canadian dollars)

The key valuation metrics for investment properties by region are set out in the following table:

As at September 30, 2017	Canada	Brazil	Germany	Australasia
Discount rate - range	5.3% - 8.8%	8.5%	5.2% - 7.3%	5.9% - 9.5%
Discount rate - weighted average	7.2%	8.5%	6.1%	6.8%
Terminal capitalization rate - range	5.0% - 8.0%	8.0%	5.5% - 8.4%	5.3% - 9.0%
Terminal capitalization rate - weighted average	6.6%	8.0%	6.1%	6.1%
Implied capitalization rate - range	4.3% - 10.2%	8.2%	4.8% - 7.1%	5.0% - 8.0%
Implied capitalization rate - weighted average	6.5%	8.2%	5.8%	5.9%

As at December 31, 2016	Canada	Brazil	Germany	Australasia
Discount rate - range	5.8% - 8.8%	8.5 - 10.5%	5.2% - 7.3%	7.2% - 9.5%
Discount rate - weighted average	7.1%	8.8%	6.2%	8.0%
Terminal capitalization rate - range	5.5% - 8.0%	8.0% - 10.0%	5.5% - 8.4%	6.5% - 8.9%
Terminal capitalization rate - weighted average	6.5%	8.3%	6.1%	7.0%
Implied capitalization rate - range	5.1% - 10.6%	8.2% - 10.7%	4.8% - 7.1%	6.3% - 8.5%
Implied capitalization rate - weighted average	6.4%	8.5%	5.8%	6.9%

As at, and during the three and nine months ended September 30, 2017, investment properties with an aggregate fair value of $31,380 and $2,216,289 (as at December 31, 2016 - $1,417,961, during the three and nine months ended September 30, 2016 - $87,649 and $1,246,642) were valued by external valuation professionals with recognized and relevant professional qualification.

9. Investment in Associate

As at September 30, 2017 and December 31, 2016, the investment in associate balance entirely consists of the REIT's investment in GHC.

As at	**September 30, 2017**	**December 31, 2016**
Balance, beginning of period	**95,351**	—
Acquisition of Investment in GHC	**376,867**	92,145
Cash distributions received	**—**	(1,898)
Share of profit for the period	**43,681**	8,679
Eliminations	**(5,455)**	(370)
Foreign exchange	**(3,096)**	(3,205)
Business combination of GHC (see note 4)	**(507,348)**	—
Balance, end of period	**—**	**95,351**

In May 2016, the REIT purchased 835,295 GHC units in the open market for $1,750 (A$1,843), representing a 0.38% ownership interest in GHC. On the date that the REIT obtained significant influence these GHC units had a fair value of $1,690 (A$1,712) and were included in the cost of the investment in associate.

On July 26, 2016, the REIT acquired 15,492,061 GHC units for $33,639 (A$34,083) following the exercise of a put option by a counterparty to one of the REIT's GHC put/call option agreements. This acquisition increased the REIT's interest in GHC to approximately 7.5%. It was determined that the REIT had attained significant influence over GHC and the investment was accordingly accounted for using the equity method. The fair value of the option on the date of the exercise was $(2,303) (A$(2,334)) and has been included in the cost of the investment.

(in thousands of Canadian dollars)

On August 8, 2016, the REIT exercised its call option with an affiliate of APN to acquire an additional 27,100,380 GHC units for $60,205 (A$59,621). This acquisition of GHC units increased the REIT's interest to approximately 19.8% and was added to the cost of the equity accounted investment. Additionally, the fair value of the option at exercise date of $(2,873) (A$(2,846)) has been included in the cost of the investment.

On December 23, 2016, GHC issued 47,342 GHC Units for $90 (A$92) to the REIT to settle portion of the performance fee receivable. The units increased the REIT's investment in GHC and accordingly are included in the cost of the equity accounted investment.

On March 24, 2017, the REIT acquired 6,700,000 GHC units for $13,392 (A$13,526) under the terms of a forward contact that was entered on December 30, 2016. The acquisition increased the REIT's interest in GHC to approximately 22.7% and was added to the cost of the investment. Also included in the cost of the investment is a gain realized from change in fair value of the forward contract.

On April 24, 2017, the REIT announced an all-cash, unconditional, off-market takeover offer for all outstanding units of GHC that it did not already own (the "GHC Bid"). The offer was A$2.24 per GHC unit outstanding. On May 4, 2017, based on receiving the recommendation of GHC's independent directors, the REIT announced it had increased the offer price to a best and final of A$2.30 per GHC unit. Under the terms of the GHC bid, the REIT purchased an additional 156,434,870 GHC units for $363,475 (A$359,800), increasing the REIT's interest in GHC to 93.6%.

On June 16, 2017, the REIT had acquired more than 90% interest in GHC. Consequently, the REIT dispatched a compulsory acquisition notice under the GHC Bid which suspended the trading of GHC units on Australian Securities Exchange. The REIT completed the compulsory acquisition of all outstanding GHC units on July 17, 2017 and has accounted for GHC as a business combination (see note 4).

10. Intangible Asset

The REIT's intangible asset relates to the management contracts for Vital Healthcare Property Trust ("Vital Trust"), and NWH RE responsible entity rights.

The REIT has the rights to 100% of the management fees paid by Vital Trust through its acquisition of Vital Healthcare Management Limited and related entities (the "Vital Manager").

In June 2016, the REIT assumed the management rights over GHC as a result of acquiring 100% of GHM (note 5). The management rights entitled the REIT to management and performance fees paid by GHC. On July 17, 2017, the REIT acquired 100% ownership in GHC, and determined the management contract to be a "pre-existing relationship" as defined under IFRS 3 that was settled upon the business combination of GHC. Accordingly the REIT derecognized the GHC management rights and recorded a loss on business combination of $57,723.

As at		**September 30, 2017**		December 31, 2016
Balance, beginning of period	**$**	**103,196**	$	46,757
GHC management rights (note 5)		**—**		55,969
GHM transition services (note 5)		**—**		504
NWH RE Responsible Entity Rights (note 3)		**568**		—
Amortization of GHM transition services		**(263)**		(260)
Business combination of GHC (note 4)		**(57,723)**		—
Foreign currency translation		**1,521**		226
Balance, end of period	**$**	**47,299**	$	103,196

(in thousands of Canadian dollars)

11. Other Assets

As at		**September 30, 2017**		December 31, 2016
Acquisition and financing costs (i)	**$**	**7,762**	$	3,936
Prepaid expenses and deposits		**5,765**		5,996
Furniture and office equipment		**3,424**		1,556
Loans carried at amortized cost (ii)		**51,494**		—
Finance lease receivable (ii)		**21,488**		—
Performance fee receivable (note 5)		**—**		7,178
Other		**5,891**		959
	$	**95,824**	$	19,625

i. Acquisition and financing costs relate to potential acquisitions and debt refinancing which are currently undergoing due diligence and/or negotiation.

ii. Upon consolidation of GHC (see note 4) the REIT recorded a finance lease receivable of $21,488 related to a long-term lease that is a finance lease. The REIT also recognized two secured loans carried at amortized cost at their respective fair values on the date of the business combination and subsequently have accounted for the loans at amortized cost. As at September 30, 2017, the loans carried at amortized cost, have a balance of $51,494.

12. Cash and Restricted Cash

As at		**September 30, 2017**		December 31, 2016
Cash	**$**	**34,467**	$	19,955
Restricted Cash		**314**		296
	$	**34,781**	$	20,251

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil long-term financings (note 13).

(in thousands of Canadian dollars)

13. Mortgages and Loans Payable

As at		September 30, 2017		December 31, 2016
Mortgage payable[1] (i)	$	**769,450**	$	771,869
Australasian secured financing[2] (ii)		**262,260**		118,000
Term loans and securitizations[3] (iv)		**770,712**		389,538
Acquisition facility[4] (iii)		**31,650**		17,456
Secured floating rate credit facilities[5] (v)		**227,428**		68,813
Finance lease (vi)		**9,694**		—
Total	$	**2,071,194**	$	1,365,676
Less: Current portion[6]		**563,329**		189,136
Non-current debt	$	**1,507,865**	$	1,176,540

[1] Net of financing costs of $2,877 (December 31, 2016 - $2,998)
[2] Net of financing costs of $4,288 (December 31, 2016 - $719)
[3] Net of financing costs of $9,876 (December 31, 2016 - $10,836)
[4] Net of financing costs of $350 (December 31, 2016 - $544)
[5] Net of financing costs of $72 (December 31, 2016 - $187)
[6] Current portion includes finance lease of $419 (December 31, 2016 - $nil)

i. Mortgages payable

All mortgages are secured by first or second charges on specific investment properties in Canada and Germany, with a carrying value of $1,317,959 at September 30, 2017, and are repayable as follows:

		Scheduled principal payments		Debt maturing during the year		Total mortgages payable
2017 (remainder)	$	5,489	$	—	$	5,489
2018		20,476		159,648		180,124
2019		18,166		56,192		74,358
2020		16,961		75,333		92,294
2021		11,496		168,877		180,373
2022		8,295		80,524		88,819
2023		5,045		57,931		62,976
2024		3,074		33,031		36,105
2025 & thereafter		4,211		38,713		42,924
Face value	$	93,213	$	670,249	$	763,462
Mark-to-market adjustment						8,865
Unamortized financing costs						(2,877)
Carrying amount					$	769,450

On April 12, 2017, the REIT repaid a second mortgage on a Canadian investment property with an outstanding balance of $20,000 and interest rate of 5.75% using proceeds from refinancing of the secured revolving credit facility (note 13(v)).

On May 2, 2017, the REIT entered into a non-revolving secured credit facility with a balance of $51,203, which has a term of one year, subject to renewal options, and bears interest at bank's prime rate plus 1.00% or Bankers' Acceptances plus 2.00%. The non-revolving secured credit facility is secured by three Canadian investment properties, and the terms of a general security agreement. Proceeds from the borrowing were partially used to repay $47,456 of existing first and second Canadian mortgages bearing a weighted average interest rate of 4.43%. Accordingly, the non-revolving secured credit facility balance has been included in Mortgages Payable.

On June 15, 2017, the REIT renegotiated and extended the maturity date of a Canadian second mortgage with a balance of $16,280, secured by three Canadian investment properties, bearing a floating interest rate of prime rate plus 2.75% or floor rate of 5.60%, by one year to July 1, 2018.

On June 30, 2017, the REIT completed, the refinancing of mortgages secured against 12 of the REIT's properties located in Leipzig and Hamburg, Germany. The refinancing replaced current mortgages with an outstanding balance of $20,081 (€13,573), weighted average interest rate of 1.97% and weighted average term to maturity of 2.66 years. The refinancing represents two mortgages totaling $27,222 (€18,400), bearing interest rates ranging from 1.83% to 1.94% (weighted average interest rate of 1.89%) and terms ranging from 5-10 years representing a weighted average term of 7.53 years. Additionally, during the nine months ended September 30, 2017, the REIT also entered or assumed three mortgages for total of $19,221 with respect to acquisition of two investment properties in Germany (see note 6).

As at September 30, 2017, mortgages related to German investment properties had a balance of $121,402 (December 31, 2016 - $92,838). Mortgages related to investment properties located in Canada had balance of $642,060 as at September 30, 2017 (December 31, 2016 - $670,734).

During the year ended December 31, 2016, the REIT completed the refinancing of mortgages secured against six investment properties located in Canada. The refinancing replaced nine, first and second mortgages that were maturing in 2016 and 2017 with an outstanding balance of $77,535 and weighted average interest rate of 5.46%. The new financings represent six first mortgages totaling $84,700, bearing a weighted average interest rate of 3.09% and weighted average term of 5 years.

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on of its $130,288 of variable rate mortgages payable as at September 30, 2017 (December 31, 2016 - $125,631) (note 16). The interest rate swaps terminate between 2018 and 2027.

ii. Australasian Secured Financing

On July 15, 2016, the REIT completed new financing, representing a combined New Zealand Dollar and Australian Dollar margin facility secured by units of Vital Trust and units of GHC held by the REIT (the "Australasian Secured Financing"), that was partially used to repay the REIT's two Vital Trust margin facilities of $47,383 (NZ$51,447).

On April 23, 2017, the REIT amended and restated the terms of the Australasian Secured Financing to, among other things, increase loan availability thereunder by up to $17,920 (A$18,000). The amended and restated Australasian Secured Financing matures July 15, 2018 and bears an interest rate equal to the one-month bank bill reference rate of New Zealand, where applicable, plus 275 to 600 basis points depending on loan-to-fair market value of the Vital Trust units pledged.

As at September 30, 2017, the principal balance outstanding on the Australasian Secured Financing was $98,624 (NZ$109,729 and A$nil) secured by 105,977,179 units of Vital Trust held by the REIT (December 31, 2016 - $118,719 (NZ$90,343 and A$35,541) secured by 105,977,179 units of Vital Trust and 43,475,078 units of GHC).

On April 23, 2017, the REIT entered into an Australasian Secured Acquisition Facility with loan availability of up to $167,924 (A$172,000), subject to certain conditions relating to the GHC Bid (see note 9). The facility bears interest equal to the one-month bank bill reference rate of Australia plus 450 basis points for the first 12 months and 700 basis points for the following 12 months, payable semi-annually. The Australasian Secured Acquisition Facility has a term of two years subject to certain conditions which if not satisfied could result in certain mandatory partial repayments prior to maturity of the two year loan term.

As at September 30, 2017 the REIT had a principal balance outstanding on the Australasian Secured Acquisition Facility of $167,924 (A$172,000) secured by 206,609,948 GHC units held by the REIT (December 31, 2016 - $nil).

iii. Acquisition Facility

As at September 30, 2017, the REIT had a balance outstanding on the acquisition facility of $32,000 (December 31, 2016 - $18,000). The facility has a maturity date of December 31, 2018.

iv. Term Loans and securitization financings

(a) Brazil term loans and long-term securitization financings

As at September 30, 2017, the REIT has no term loans in Brazil and as a result has a principal balance on Brazil terms loans of nil. The outstanding balance of the three securitization financings relating to the Hospital Caxias D'Or and HMB assets was $144,398 (R$368,269) (December 31, 2016 - $157,035 (R$379,772)), with terms maturing between May 7, 2026 and December 6, 2026 and bearing a weighted average interest rate of 7.84% (December 31, 2016 - 7.84%)

In December 2016, the REIT repaid in full upon their maturity, two Brazilian term loans with an outstanding balance of $69,689 (R$172,328), including the IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) portion relating to the term loans totaling $4,911 (R$12,865). The REIT also closed out the interest rate swaps with respect to the two Brazilian term loans that fixed the interest rate to 10.30%.

For the three and nine months ended September 30, 2017, the REIT recorded IPCA related accretion expense of $1,134 and $3,109, respectively (for the three and nine months ended September 30, 2016 - $2,160 and $5,865, respectively) with respect to the term loans and securitization financings.

(b) Vital Trust term loans

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The approximately $592,000 (A$600,000) facility, a multi-currency facility, is split between Tranche A: approximately $122,000 (A$125,000) and Tranche B: approximately $98,000 (A$100,000) which are due to expire on March 31, 2019, and Tranche C: approximately $98,000 (A$100,000), Tranche D: approximately $98,000 (A$100,000); Tranche E: approximately $171,000 (A$175,000) which expires November 20, 2021; plus the New Zealand Dollar Facility: approximately $19,000 (NZ$20,000) which are due to expire on October 30, 2020.

As at September 30, 2017, Vital Trust had borrowings on the term loan facilities totaling $413,628 (December 31, 2016 - $243,341).

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on November 29, 2016. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

(c) GHC term loans

Upon business combination of GHC (see note 4), the REIT assumed the following term loans:

i. A revolving cash advance facility with a total limit of $115,594 (A$118,400) drawn to $108,903 (A$111,546) at September 30, 2017, and is repayable in July 2018;

ii. A revolving cash advance facility with a term facility limit of $9,874 (A$10,114) fully drawn at September 30, 2017, and a construction facility limit of the lesser of $15,294 (A$15,665) or 55% of the Fund's share on the Frankston expansion costs drawn to $14,925 (A$15,287) at September 30, 2017 and repayable in July 2018;

iii. A revolving cash advance facility with a limit of $40,224 (A$41,200) fully drawn at September 30, 2017, repayable in July 2018;

iv. A joint and several facility with St. John of God HealthCare for the construction costs of the St. John of God Berwick Hospital Casey Private Hospital with a total limit of the lesser of $26,308 (A$26,947) or 65% of project costs with $24,229 (A$24,817) being the Fund's share drawn at September 30, 2017 and expiring on the earlier of 42 months post first drawing under the facility (on November 26, 2016); and

v. A term facility with a limit of $24,408 (A$25,000) fully drawn at September 30, 2017, repayable in October 2019.

With the exception of Epworth Freemasons Clarendon Street, the Waratah Private Hospital ground floor suites and the secured debt positions associated with the Waratah Private Hospital and the Epping Medical and Specialist Centre, all of GHC's assets (excluding the non-controlling interest of the Frankston properties) are pledged as security for these loans in the five different security pools. The facilities are also secured by a negative pledge that imposes certain covenants with respect to the particular security pool for each facility.

v. Secured Floating Rate Revolving Credit Facility

On April 12, 2017 the REIT negotiated terms of its revolving secured credit facility, increasing the facility from $80,000 to $100,000 and extending expiry date from November 2, 2017 to November 2, 2019. The revolving credit facility bears interest at rates ranging from the bank's prime rate plus 0.85% to 1.00% or Bankers' Acceptances plus 1.85% to 2.00%. On July 5, 2017, the REIT further amended the terms of its revolving secured credit facility to increase the allowable borrowings by $5,000.

The revolving credit facility is secured by first and second charges on certain Canadian investment properties, and the terms of a general security agreement.

On May 26, 2017, the REIT further amended and expanded the facility, adding an additional tranche of $125,000 with initial term expiring November 27, 2017, subject to two three month renewal terms at the REIT's option, in order to finance in part the purchases of GHC Units under the GHC Bid (note 9). During the initial term, the additional tranche of the revolving secured credit facility bears interest at rates ranging from the bank's prime rate plus 3.5% or Bankers' Acceptances plus 4.5%. As at September 30, 2017, the REIT had drawn $125,000 against the additional tranche with all proceeds being used to settle the acquisition of GHC units.

(in thousands of Canadian dollars)

vi. Finance Lease

As part of the Generation acquisition, the lease of land on which one of the REIT's investment properties is built is accounted for as a finance lease. The remaining term of the lease at September 30, 2017 was 71 years. Minimum payments under the lease and their present values are as follows:

As at		**September 30, 2017**		**December 31, 2016**
Minimum lease payments payable:				
Not later than one year		**419**		—
Later than one year and not later than five years		**1,806**		—
Later than five years		**96,368**		—
		98,593		—
Future finance charges		**(88,899)**		—
Present value of minimum lease payments	**$**	**9,694**	**$**	**—**
Present value of minimum lease payments:				
Not later than one year		**403**		—
Later than one year and not later than five years		**1,471**		—
Later than five years	**$**	**7,820**	$	—
	$	**9,694**	**$**	**—**

A summary of the maturity and effective interest rates relating to the mortgages and loans payable outstanding at September 30, 2017 are as follows:

	Maturity	**Weighted Average Interest Rate**		**Carrying Value**
Fixed rate				
Mortgage debt	July 2018 - January 2029	3.45%	**$**	**702,150**
Term loans and securitizations	July 2018 - December 2026	5.67%		**563,188**
Total fixed rate debt			**$**	**1,265,338**
Variable Rate				
Mortgage debt	July 2018	3.84%	**$**	**67,300**
Term loans and securitizations	July 2018 - December 2026	3.12%		**207,524**
Australasian secured financing	July 2018 - April 2019	6.58%		**262,260**
Acquisition facility	December 1, 2018	8.20%		**31,650**
Secured floating revolving line of credit	November 1, 2019	4.70%		**227,428**
Total variable rate debt			**$**	**796,162**
Total debt excluding finance lease			**$**	**2,061,500**
Finance lease				**9,694**
Total debt			**$**	**2,071,194**

(in thousands of Canadian dollars)

As at September 30, 2017, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Australasian Secured Financing	Term Loans and Securtizations	Acquisition Facility	Secured Floating Revolving Line of Credit	Finance Lease	Total
2017 (remainder)	$ 5,489	$ —	$ 2,861	$ —	$ 125,000	$ 103	$ 133,453
2018	180,124	98,624	210,153	32,000	—	398	521,299
2019	74,358	167,924	257,092	—	102,500	384	602,258
2020	92,294	—	207,842	—	—	369	300,505
2021	180,374	—	15,055	—	—	354	195,783
2022 & thereafter	230,823	—	87,585	—	—	8,086	326,494
	$ 763,462	$ 266,548	$ 780,588	$ 32,000	$ 227,500	$ 9,694	$2,079,792
Financing costs	(2,877)	(4,288)	(9,876)	(350)	(72)	—	(17,463)
Mark-to-market adjustment	8,865	—	—	—	—	—	8,865
	$ 769,450	$ 262,260	$ 770,712	$ 31,650	$ 227,428	$ 9,694	$2,071,194

14. Deferred Consideration

The following table summarizes the deferred consideration payable:

As at	September 30, 2017	December 31, 2016
Accrued transaction costs - Brazil (i)	**$ —**	$ 7,287
Consideration for acquisition (note 5)	**—**	5,810
Holdback payable - Germany (ii)	**37**	22
	$ 37	$ 13,119

(i) As at September 30, 2017, the REIT has recorded deferred consideration of $nil (R$nil) (December 31, 2016 - $7,287 (R$17,623)) with respect to property transfer taxes payable in connection with the acquisition of investment properties in Brazil as the transaction costs were settled.

(ii) In connection with the acquisition of the properties in Germany, the REIT held back $54 (€38) of the purchase price for potential working capital adjustments and information deficiencies. As at September 30, 2017, $37 (€25) (December 31, 2016 - $22(€15)) remained unsettled.

15. Convertible Debentures

The movements in fair value of convertible debentures were as follows:

As at	September 30, 2017	December 31, 2016
Balance, beginning of period	**$ 331,834**	$ 170,094
Issuance of convertible debenture	**—**	155,250
Change in fair value of convertible debentures	**10,405**	6,490
	$ 342,239	$ 331,834

On July 25, 2016, the REIT completed the public offering for aggregate gross proceeds of approximately $141,243. The offer comprised of the issuance of $74,750 aggregate principal amount of 5.25% convertible unsecured subordinated debentures (the "Series NWH.DB.E Debentures"), and 6,785,000 REIT units at a price of $9.80 per unit (see note 19), including units and debentures issued pursuant to the exercise in full of the over-allotment options granted to the underwriters. The series NWH.DB.E Debentures are convertible at the holder's option into 78.4314 REIT units per one thousand dollars of face, at conversion price of $12.75 per unit and mature on July 31, 2021.

(in thousands of Canadian dollars)

On December 15, 2016, and on December 21, 2016 pursuant to the exercise of the over-allotment option, the REIT issued $80,500 combined principal amount of unsecured convertible subordinated debentures (the "Series NWH.DB.F Debentures"). The Series NWH.DB.F Debentures bear interest at 5.25% per annum, payable semi-annually on June 30 and December 31 each year, and mature on December 31, 2021.

The fair values of convertible debentures, determined on the basis of the closing market price as at the reporting date, are as follows:

As at	**September 30, 2017**	December 31, 2016
NWH.DB	**$ 41,860**	$ 40,954
NWH.DB.A	**22,826**	23,052
NWH.DB.B	**18,025**	17,850
NWH.DB.C	**40,688**	39,719
NWH.DB.D	**56,424**	54,060
NWH.DB.E	**78,488**	75,498
NWH.DB.F	**83,928**	80,701
Fair Value	**$ 342,239**	$ 331,834
Current	**40,851**	—
Non-Current	**301,388**	331,834
	$ 342,239	$ 331,834

Debentures Series	**Conversion price per Unit ($)**	**Maturity**	**Interest rate**	**Interest payment**	**Interest payment dates**
NWH.DB	$14.20	September 30, 2020	5.25%	Semi-annual	March 31 and September 30
NWH.DB.A	$13.70	March 31, 2018	6.50%	Semi-annual	March 31 and September 30
NWH.DB.B	$11.54	September 30, 2018	7.50%	Semi-annual	March 31 and September 30
NWH.DB.C	$12.50	October 31, 2019	7.25%	Semi-annual	April 30 and October 31
NWH.DB.D	$11.25	October 31, 2020	5.50%	Semi-annual	April 30 and October 31
NWH.DB.E	$12.75	July 31, 2021	5.25%	Semi-annual	January 31 and July 31
NWH.DB.F	$12.80	December 31, 2021	5.25%	Semi-annual	June 30 and December 31

(in thousands of Canadian dollars)

16. Financial Instruments

As at		**September 30, 2017**		December 31, 2016
Financial assets (a):				
Foreign exchange contracts	**$**	**524**	$	236
Interest rate swaps		**1,980**		213
Total financial assets		**2,504**		449
Financial liabilities (b):				
Interest rate swaps		**12,126**		14,413
Forward contracts		**7,469**		651
Foreign exchange contracts		**1,945**		13
Total financial liabilities	**$**	**21,540**	$	15,077

(a) Derivative financial instrument (asset)

The derivative financial instrument asset relates to foreign exchange contracts and interest rate swaps in place at Vital Trust. The forward exchange contracts are measured using a valuation model based on the applicable forward price curves derived from observable forward prices.

(b) Derivative financial instrument (liability)

The REIT has entered into interest rate swap contracts with respect to certain Canadian and German mortgages, and portions of the Vital Trust and GHC term loans (see note 13). The interest rate derivatives mature over the next one to 10 years and have fixed interest rates ranging from 1.71% to 6.36%.

On December 30, 2016, the REIT entered into a forward contract to purchase an additional 6,700,000 GHC units, which was settled on March 24, 2017. Fair value of the forward contract as at the exercise date has been included in the cost of the investment in GHC (see note 9).

The components of the gain/(loss) on derivative financial instruments are as follows:

As at	**For the three months ended September 30,**				**For the nine months ended September 30,**			
		2017		2016		**2017**		2016
Fair value adjustment - interest rate swaps	**$**	**2,289**	$	(433)	**$**	**3,953**	$	(5,783)
Receipts/(payments) under transaction hedging foreign exchange contracts		**—**		357		**—**		676
Put/Call (note 9)		**—**		(6,184)		**—**		(5,037)
Fair value adjustment -foreign exchange contracts		**(2,391)**		—		**(2,028)**		—
Fair value adjustment - forward contracts		**187**		—		**133**		—
Fair value adjustment - financial asset		**662**		(125)		**834**		(125)
Performance fee receivable (note 5)		**—**		(716)		**1,473**		(716)
	$	**747**	$	(7,101)	**$**	**4,365**	$	(10,985)

(in thousands of Canadian dollars)

17. Deferred Unit Plan ("DUP") Liability

The REIT's DUP became effective in March 2010 and was re-approved at the annual general meeting of Unitholders in 2013. The DUP is administered by the Compensation, Governance and Nominating Committee. The purpose of the DUP is to promote a greater alignment of interests between the Trustees, officers and certain other participants of the REIT and the Unitholders. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are treated as a liability until redeemed.

Upon acquisition of Vital Manager, the REIT also assumed the deferred unit plan liabilities of Vital Manager related to deferred units of Vital Trust.

(a) Liability:

As at	**September 30, 2017**	December 31, 2016
Balance, beginning of period	**$ 14,935**	$ 15,597
Unit based compensation expense	**3,728**	2,123
Exercised and paid in cash	**(1,811)**	(1,550)
Exercised and settled in Trust Units	**(561)**	(2,953)
Fair value adjustment	**1,696**	1,717
FX adjustment	**(100)**	1
Balance, end of period	**$ 17,887**	$ 14,935

The balance of the DUP liability at September 30, 2017 consists of $16,167 related to the REIT's DUP and $1,720 related to Vital Trust's DUP (December 31, 2016 - $13,445 related to the REIT's DUP and $1,490 related to Vital Trust's DUP).

Unit-based compensation expense is measured at the service commencement date, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and amortized over the vesting year. Unit-based compensation does not qualify as an equity award and is classified as a liability. The awards are measured at fair-value every reporting period, based on the fair market value of a REIT unit or Vital Trust unit, as applicable, and the change in fair value is recognized as compensation expense.

(b) Units outstanding:

As at September 30, 2017	**REIT**	**Vital Trust**
Balance, beginning January 1, 2017	**1,814,558**	**1,670,650**
Granted	**156,565**	**727,729**
Exercised and paid in cash	**(45,271)**	**(646,702)**
Exercised and paid in REIT units	**(53,253)**	**—**
Forfeited	**(16,415)**	**—**
Distribution entitlement	**109,260**	**65,756**
Balance, as at September 30, 2017	**1,965,444**	**1,817,433**
Units vested but not exercised	**673,436**	**157,434**

(in thousands of Canadian dollars)

As at December 31, 2016	REIT	Vital Trust
Balance, beginning January 1, 2016	2,586,609	1,002,580
Granted	177,643	664,218
Exercised and paid in cash	(160,565)	69,581
Exercised and paid in REIT units	(348,491)	(65,729)
Forfeited	(637,825)	—
Distribution entitlement	197,187	—
Balance, December 31, 2016	1,814,558	1,670,650
Units vested but not exercised	563,467	75,626

For the three and nine months ended September 30, 2017, the REIT granted or issued 8,085 and 156,565 DUP units with a value of $92 and $1,675, respectively (for the three and nine months ended September 30, 2016 - 10,509 and 171,652 DUP units with a fair value of $112 and $1,624, respectively).

For the three and nine months ended September 30, 2017, Vital Trust granted or issued nil and 727,729 DUP units with a value of nil and $1,485 (for the three and nine months ended September 30, 2016 - nil and 664,218 DUP units with a fair value of $1,282).

18. Class B Exchangeable Units

The Class B exchangeable units are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

As at September 30, 2017, there were 18,998,065 Class B (December 31, 2016 - 18,998,065) exchangeable units of Northwest Healthcare Properties LP ("NWI LP") issued and outstanding with a fair value of $215,248 (December 31, 2016 - $193,780).

Distributions declared on the Class B exchangeable units of NWI LP totaled $3,799 and $11,399 for the three and nine months ended September 30, 2017 (for the three and nine months ended September 30, 2016 - $3,799 and $11,399) and have been accounted for as finance costs.

The following table shows the continuity of the Class B exchangeable units:

	Units	Amount
Balance, December 31, 2015	18,998,065	169,653
Fair value adjustment	—	24,127
Balance, December 31, 2016	18,998,065	193,780
Fair value adjustment	—	21,468
Balance, September 30, 2017	**18,998,065**	**215,248**

19. Unitholders' Equity

The REIT is authorized to issue two categories of equity: (a) REIT units of the REIT; and (b) special voting units attached to the exchangeable Class B exchangeable units of NWI LP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

(in thousands of Canadian dollars)

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, but entitle the holder to one vote per special voting unit at any meeting of the unitholders.

The REIT's Trustees have discretion in declaring distributions.
The following table shows the changes in REIT Units:

	REIT units	Amount
Balance, December 31, 2015	**52,691,943**	**453,308**
Units issued through distribution reinvestment plan (i)	516,574	4,821
Units issued under deferred unit plan (note 17)	348,491	2,953
Units cancelled pursuant to NCIB (ii)	(34,500)	(285)
Units issued pursuant to equity offering (iii)	15,914,660	150,792
Units issuance cost (iii)	—	(6,997)
Balance, December 31, 2016	**69,437,168**	**604,592**
Units issued through distribution reinvestment plan (i)	450,057	4,590
Units issued under deferred unit plan (note 17)	53,253	561
Units issued pursuant to equity offering (iii)	17,723,800	184,059
Units issuance cost (iii)	—	(8,794)
Balance, September 30, 2017	**87,664,278**	**785,008**

(i) The REIT has established a distribution reinvestment plan (“DRIP”) for its unitholders, which allows participants to reinvest their monthly cash distributions in additional units at an effective discount of 3%.

(ii) On June 29, 2015 the REIT announced that it intended to make a normal course issuer bid ("NCIB") for a portion of its Trust Units as appropriate opportunities arose from time to time. On July 13, 2015 the REIT announced that the TSX had approved the REIT's NCIB.

The REIT began to purchase Units on July 16, 2015 and the bid was set to expire on October 16, 2015, but then was further extended to February 15, 2016 and expired thereafter. During the year ended December 31, 2016, the REIT had repurchased of 34,500 units at a weighted average price per unit of $8.19, respectively, including broker commissions.

(iii) On April 6, 2017, the REIT completed a public offering of 9,179,300 REIT units, including 1,197,300 units issued pursuant the exercise in full of an over-allotment option, at a price of $10.65 per unit, representing gross proceeds of $97,760. Issue costs of $4,622 were recognized in relation to this equity issuance.

On January 31, 2017, the REIT completed the public offering of 8,544,500 REIT units, including the exercise in full of an over-allotment option, at price of $10.10 per unit representing total gross proceeds of $86,299. Issue costs of $4,172 were recognized in relation to this equity issuance.

On July 25, 2016, the REIT completed the public offering for aggregate gross proceeds of approximately $66,493. The offer comprised of the issuance of 6,785,000 REIT units at a price of $9.80 per unit. Concurrently, Northwest Value Partners Inc. ("NWVP"), purchased, on a private placement basis, an aggregate of 510,204 units for gross proceeds of approximately $5,000 at the offering price. Issue cost of $3,136 were recognized in relation to this equity issuance.

(in thousands of Canadian dollars)

On April 20, 2016 and April 25, 2016, the REIT completed a public offering of 7,532,500 REIT units, including the exercise in full of an over-allotment option, at a price of $9.20 per unit, representing gross proceeds of $69,299. Concurrently, NWVP, purchased, on a private placement basis, an aggregate of 1,086,956 REIT units for gross proceeds of approximately $10,000 at the offering price. Issue costs of $3,861 were recognized in relation to this equity issuance.

20. Supplemental Cash Flow Information

(i) Changes in Non-Cash Working Capital Balances

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	**2017**	2016
Accounts receivable	**(4,432)**	11,643	**(6,856)**	(413)
Other assets	**1,169**	(316)	**(2,912)**	1,269
Accounts payable and accrued liabilities	**(1,979)**	188	**764**	6,491
	(5,242)	11,515	**(9,004)**	7,347

(ii) Non-Cash Financing and Investing Activities

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	**2017**	2016
Non cash distributions to Unitholders under the DRIP (note 18)	**1,672**	1,179	**4,590**	2,454
Non-cash investment in subsidiary	**—**	5,787	**—**	5,787
Units issued under deferred unit plan (note 16)	**—**	—	**561**	2,953

21. Related Party Transactions

(a) As at September 30, 2017, NWVP indirectly owned approximately 24.7% of the outstanding REIT units (approximately 19.8% on a fully diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) of the REIT through a combination of units of the REIT and Class B exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder, sole director and President of NWVP.

(b) In the normal course of operations, through shared services arrangements with affiliates of NWVP, the REIT has amounts owing to and from NWVP and affiliates. As at September 30, 2017, these non-interest bearing amounts combined included in accounts payable and other liabilities are a net liability of $2 (December 31, 2016 - net asset of $315 included under accounts receivable)

(c) At September 30, 2017, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable owing to NWVP and affiliates in the amount of $1,267 (December 31, 2016 - $1,267), which were settled subsequent to period end.

(d) The following table summarizes the related party transactions with NWVP and its subsidiaries related to cost-sharing and sublease agreements with the REIT:

(in thousands of Canadian dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2017	2016	**2017**	2016
Reimbursement for out-of-pocket costs	**$ —**	$ 45	**$ 794**	$ 255
Cost-sharing and sublease agreements	**14**	166	**141**	525
	$ 14	$ 211	**$ 935**	$ 780

(e) Transactions with related parties disclosed above are recorded at the transaction amount, being the price agreed between the parties.

22. Segmented Information

The REIT operates in one industry segment being the real estate industry segment; however the REIT monitors and operates its German, Brazilian, Canadian, and Australasian operations separately. The CEO assesses the performance of each of the operating segments based on a measure of operating income. The accounting policies for each of the segments are the same as those for the REIT. The REIT's trust and general and administrative expenses are managed centrally in Canada and are not allocable to operating segments, however certain operating segments incur general and administrative expenses specific to their segment.

During the three and nine months ended September 30, 2017, two tenants in Brazil accounted for 15% and 17% respectively (for the three and nine months ended September 30, 2016 - 14% and 13%, respectively), and one tenant in Australasia operating segment accounted for 12% (for the three and nine months ended September 30, 2016 - 12%) of the total revenue from investment properties.

As at September 30, 2017	**Germany**	**Brazil**	**Australasia**	**Canada**	**Total**
Investment properties	**$ 229,005**	**$ 647,283**	**$ 1,986,229**	**$ 1,237,932**	**$ 4,100,449**
Mortgages and loans payable	**$ 119,975**	**$ 135,621**	**$ 644,785**	**$ 1,170,813**	**$ 2,071,194**

As at December 31, 2016	**Germany**	**Brazil**	**Australasia**	**Canada**	**Total**
Investment properties	$ 189,432	$ 642,901	$ 997,739	$ 1,210,282	$ 3,040,354
Mortgages and loans payable	$ 91,236	$ 147,088	$ 242,451	$ 884,901	$ 1,365,676

(in thousands of Canadian dollars)

For the three months ended September 30, 2017	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	$ 4,852	$ 12,731	$ 32,492	$ 33,857	$ 83,932
Property operating costs	1,522	—	4,955	15,650	22,127
Net property operating income	3,330	12,731	27,537	18,207	61,805
Other income					
Interest	—	352	1,182	8	1,542
Management fee	—	—	124	—	124
Share of profit of associate	—	—	—	—	—
	—	352	1,306	8	1,666
Mortgage and loan interest expense	592	2,689	6,586	18,555	28,422
General and administrative expenses	730	522	2,317	2,480	6,049
Transaction Costs	16	—	562	(21)	557
Foreign exchange (gain) loss	—	(117)	1,396	(4,354)	(3,075)
	1,338	3,094	10,861	16,660	31,953
Operating income (loss)	$ 1,992	$ 9,989	$ 17,982	$ 1,555	$ 31,518

For the three months ended September 30, 2016	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	$ 3,838	$ 9,386	$ 18,918	$ 34,346	$ 66,488
Property operating costs	1,020	—	2,023	15,168	18,211
Net property operating income	2,818	9,386	16,895	19,178	48,277
Other income					
Interest	—	969	56	45	1,070
Management fee	—	—	960	—	960
Share of profit of associate	—	—	819	—	819
	—	969	1,835	45	2,849
Mortgage and loan interest expense	462	3,119	3,018	12,303	18,902
General and administrative expenses	588	612	2,239	(705)	2,734
Transaction Costs	—	—	—	230	230
Foreign exchange (gain) loss	—	(126)	547	3,872	4,293
	1,050	3,605	5,804	15,700	26,159
Operating income (loss)	$ 1,768	$ 6,750	$ 12,926	$ 3,523	$ 24,967

(in thousands of Canadian dollars)

For the nine months ended September 30, 2017	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	$ 13,619	$ 39,700	$ 73,369	$ 102,842	$ 229,530
Property operating costs	3,985	—	10,042	46,673	60,700
Net property operating income	9,634	39,700	63,327	56,169	168,830
Other income					
Interest	2	1,041	1,259	158	2,460
Management fee	—	—	7,608	—	7,608
Share of profit of associate	—	—	43,681	—	43,681
	2	1,041	52,548	158	53,749
Mortgage and loan interest expense	1,820	8,551	13,666	47,006	71,043
General and administrative expenses	1,967	1,471	8,085	6,876	18,399
Transaction Costs	83	—	10,191	2,159	12,433
Foreign exchange (gain) loss	5	(111)	(1,170)	1,207	(69)
	3,875	9,911	30,772	57,248	101,806
Operating income (loss)	$ 5,761	$ 30,830	$ 85,103	$ (921)	$ 120,773

For the nine months ended September 30, 2016	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	$ 11,145	$ 25,357	$ 54,266	$ 104,795	$ 195,563
Property operating costs	2,974	—	6,350	47,199	56,523
Net property operating income	8,171	25,357	47,916	57,596	139,040
Other income					
Interest	—	2,046	126	78	2,250
Management fee	—	—	960	—	960
Share of profit of associate	—	—	819	—	819
	—	2,046	1,905	78	4,029
Mortgage and loan interest expense	1,376	6,375	10,010	37,368	55,129
General and administrative expenses	1,972	1,460	5,438	5,668	14,538
Transaction Costs	—	—	—	3,811	3,811
Foreign exchange (gain) loss	(2)	17	(85)	2,353	2,283
	3,346	7,852	15,363	49,200	75,761
Operating income (loss)	$ 4,825	$ 19,551	$ 34,458	$ 8,474	$ 67,308

(in thousands of Canadian dollars)

23. Non-wholly Owned Subsidiary

On January 1, 2015, the REIT acquired all of the rights and obligations relating to the management of Vital Trust. As a result of the acquisition of the management rights and other factors, it was determined that the REIT obtained control (as defined in IFRS 10 - Consolidated Financial Statements) with respect to its approximately 24.8% investment in Vital Trust.

On July 17, 2017, the REIT completed the acquisition of 100% ownership interest in GHC (see note 4). Consequently, the REIT assumed GHC's approximately 56.9% investment interest in Divine Logistics Trust ("Divine") which it accounted for as a subsidiary.

The following tables present summarized accounts for Vital Trust and Divine based on the portion attributable to the non-controlling interest and the REIT:

As at September 30, 2017	**Vital Trust**	**Divine**	**Total**
Total assets	**$ 1,336,429**	**$ 132,622**	**$ 1,469,051**
Total liabilities	**512,360**	**1,709**	**514,069**
Net assets	**$ 824,069**	**$ 130,913**	**$ 954,982**
Attributable to:			
Non-controlling interest	**626,298**	**56,502**	**682,800**
Unitholders of the REIT	**197,771**	**74,410**	**272,181**
	$ 824,069	**$ 130,912**	**$ 954,981**

As at December 31, 2016	**Vital Trust**	**Divine**	**Total**
Total assets	$ 1,005,348	$ —	$ 1,005,348
Total liabilities	340,774	—	340,774
Net assets	$ 664,574	n/a	$ 664,574
Attributable to:			
Non-controlling interest	485,505	—	485,505
Unitholders of the REIT	179,069	—	179,069
	$ 664,574	n/a	$ 664,574

	For the three months ended September 30, 2017			For the three months ended September 30, 2016		
	Vital Trust	**Divine**	**Total**	Vital Trust	Divine	Total
Revenue from investment properties	**$ 21,972**	**$ 1,925**	**$ 23,897**	$ 18,918	n/a	$ 18,918
Net income attributable to:						
Non-controlling interest	**$ 9,127**	**$ 373**	**$ 9,500**	$ 8,918	$ —	$ 8,918
Unitholders of the REIT	**3,372**	**492**	**3,864**	2,540	—	2,540
Net income	**$ 12,499**	**$ 865**	**$ 13,364**	$ 11,458	n/a	$ 11,458
Total comprehensive income attributable to:						
Non-controlling interest	**$ 24,013**	**$ 373**	**$ 24,386**	$ 10,716	$ —	$ 10,716
Unitholders of the REIT	**8,462**	**492**	**8,954**	3,319	—	3,319
Total comprehensive income	**$ 32,475**	**$ 865**	**$ 33,340**	$ 14,035	n/a	$ 14,035
Distributions attributable to non-controlling interest	**$ 6,364**	**$ 694**	**$ 7,058**	$ 6,563	n/a	$ 6,563

(in thousands of Canadian dollars)

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Vital Trust	Divine	Total	Vital Trust	Divine	Total
Revenue from investment properties	$ 62,850	$ 1,925	$ 64,775	$ 54,266	n/a	$ 54,266
Net income attributable to:						
Non-controlling interest	$ 131,744	$ 373	$ 132,117	$ 48,779	$ —	$ 48,779
Unitholders of the REIT	41,862	492	42,354	14,685	—	14,685
Net income	$ 173,606	$ 865	$ 174,471	$ 63,464	n/a	$ 63,464
Total comprehensive income attributable to:						
Non-controlling interest	$ 148,443	$ 373	$ 148,816	$ 49,465	$ —	$ 49,465
Unitholders of the REIT	47,624	492	48,116	14,875	—	14,875
Total comprehensive income	$ 196,067	$ 865	$ 196,932	$ 64,340	n/a	$ 64,340
Distributions attributable to non-controlling interest	$ 19,330	$ 694	$ 20,024	$ 16,323	n/a	$ 16,323

	For the three months ended September 30, 2017			For the three months ended September 30, 2016		
	Vital Trust	Divine	Total	Vital Trust	Divine	Total
Cash flow activities:						
Operating	$ 6,875	$ 813	$ 7,688	$ 14,021	$ —	$ 14,021
Investing	(40,058)	—	(40,058)	(64,659)	—	(64,659)
Financing	34,315	(1,608)	32,707	37,247	—	37,247
Effect of foreign currency translation	(10)	10	—	—	—	—
Net change in cash	$ 1,122	$ (785)	$ 337	$ (13,391)	n/a	$ (13,391)

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Vital Trust	Divine	Total	Vital Trust	Divine	Total
Cash flow activities:						
Operating	$ 16,733	$ 813	$ 17,546	$ 31,299	$ —	$ 31,299
Investing	(177,253)	—	$ (177,253)	(124,213)	—	(124,213)
Financing	163,793	(1,608)	$ 162,185	88,243	—	88,243
Effect of foreign currency translation	(2,258)	10	$ (2,248)	—	—	—
Net change in cash	$ 1,015	$ (785)	$ 230	$ (4,671)	n/a	$ (4,671)

The REIT is subject to restrictions over the extent to which it can access funds of Vital Trust and Divine in the form of cash distributions, or use assets and liabilities as a result of borrowing arrangements, regulatory restrictions and the REIT's economic interest in Vital Trust and Divine being limited to approximately 24.8% and 56.9%, respectively.

24. Commitments and Contingent Liabilities

(a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of $1,377 to provide electricity and gas for its own use at its investment properties until 2018.

(b) The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at September 30, 2017, the REIT has a total of $1,050 in outstanding letters of credit, under the REIT's secured revolving floating rate credit facility, related to construction work that is being performed on investment properties. The REIT does not believe that any of these standby letters of credit are likely to be drawn upon.

(c) Pursuant to the sale of three of the REIT's investment properties, the existing mortgages were assumed by the purchasers. In the event of default, the REIT has guaranteed the outstanding balance of the mortgages of $11,256 as at September 30, 2017.

(d) The REIT has entered into construction agreements on development properties and is committed to construction costs of $30,864 as at September 30, 2017.

(e) The REIT indemnifies individuals who have acted at the REIT's request to be a trustee and/or director and/or officer of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

(f) The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's consolidated financial statements.

25. Fair Values

Estimated fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The REIT uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value of financial instruments and investment properties. The classifications are as follows: the use of quoted market prices for identical assets or liabilities (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

The REIT determined the fair value of each investment property using the discounted cash flow method. The discounted cash flow method discounts the expected future cash flows, generally over a term of 10 years, including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. Note 8 outlines the key assumptions used by the REIT in determining fair value of its investment properties.

Derivatives instruments are valued using a valuation technique with market-observable inputs (Level 2) and include the Put/Call option, the interest rate swap, and the warrant liability. The most frequently applied valuation technique includes forward pricing models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The REIT has chosen to use closing market price (Level 1) as a practical expedient for fair value measurement for its Class B and Class D exchangeable units, DUP liability and convertible debentures.

The fair value of the REIT's mortgages and loans payable and deferred consideration are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions (Level 2). The carrying values of the REIT's financial assets, which include accounts receivable, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable approximate their recorded fair values due to their short-term nature.

(in thousands of Canadian dollars)

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at September 30, 2017 is as follows:

			Fair Value	
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	**$ 4,100,449**	**$ —**	**$ —**	**$ 4,100,449**
Financial instruments	**2,504**	**—**	**2,504**	**—**
Assets held for sale	**32,117**	**—**	**—**	**32,117**
Liabilities measured at fair value:				
Financial instruments	**21,540**	**—**	**21,540**	**—**
Convertible debentures	**342,239**	**342,239**	**—**	**—**
Class B LP exchangeable units	**215,248**	**215,248**	**—**	**—**
Deferred unit plan liability	**17,887**	**17,887**	**—**	**—**
Financial Liabilites recorded at amortized cost:				
Mortgage and loans payable	**2,071,194**	**—**	**2,082,073**	**—**
Liabilities related to assets held for sale	**9,172**	**—**	**9,050**	**—**

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at December 31, 2016 is as follows:

			Fair Value	
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	$ 3,040,354	$ —	$ —	$ 3,040,354
Derivative financial instruments	449	—	449	—
Performance fee receivable	7,178	—	7,178	—
Liabilities measured at fair value:				
Derivative financial instruments	15,077	—	15,077	—
Convertible debentures	331,834	331,834	—	—
Class B LP exchangeable units	193,780	193,780	—	—
Deferred unit plan liability	14,935	14,935	—	—
Financial Liabilites recorded at amortized cost:				
Mortgage and loans payable	1,365,676	—	1,385,023	—

26. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B exchangeable units, and debt. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of

(in thousands of Canadian dollars)

Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue, and unsecured debt which includes convertible debentures.

At September 30, 2017, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 46.7% (December 31, 2016 - 41.5%) and 54.4% (December 31, 2016 - 51.5%). The debt to gross book value of the Declaration of Trust, and including convertible debentures, are as follows:

As at		**September 30, 2017**		December 31, 2016
Debt				
Gross value of debt excluding convertible debentures (1)	**$**	**2,079,307**	$	1,382,784
Gross value of total debt (2)		**2,421,546**		1,714,618
Gross Book Value of Assets				
Total assets	**$**	**4,454,086**	$	3,328,533
Debt-to-Gross Book Value (Declaration of Trust)		**46.7%**		41.5 %
Debt-to-Gross Book Value (including convertible debentures)		**54.4%**		51.5 %

(1) represents the principal balance of mortgages, mortgages related to assets held for sale, credit facility, Australasian Secured Financings, term loans, securtizations, acquisition facility and deferred consideration

(2) represents the principal balance of mortgages, mortgages related to assets held for sale, credit faciltiy, Australasian Secured Financings, term loans, securtizations, convertible debentures (at fair value), acquisition facility and deferred consideration

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at September 30, 2017, the REIT is in compliance with all such financial covenants.

27. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2016.

28. Subsequent Events

(i) On October 10, 2017, the REIT completed long term financing in respect of Hospital Santa Helena located in Brasilia Brazil, raising gross proceeds of approximately $84,654 (R$215,900). The financing is secured by 100% of future rents during a ten year term and bears an interest rate of 6.35%.

(ii) On October 13, 2017, the REIT completed a public offering of 13,133,000 REIT units, including 1,713,000 units issued pursuant to the exercise in full of an over-allotment option, at a price of $10.95 per unit, representing gross proceeds of $143,806. The REIT used the net proceeds from the public offering to repay in full the $125,000 additional tranche of its revolving secured credit facility, which was utilized by the REIT to partially fund the acquisition of GHC.

(iii) On October 13, 2017, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on October 31, 2017, payable November 15, 2017. On November 9, 2017, the REIT declared a distribution of $0.06667 per REIT unit to unitholders of record on November 30, 2017, payable December 15, 2017.