NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements
(in Canadian dollars)

For the years ended December 31, 2017 and 2016

(Audited)

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of NorthWest Healthcare Properties
Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of NorthWest Healthcare Properties Real Estate Investment Trust, which comprise the consolidated balance sheet as at December 31, 2017 and December 31, 2016, the consolidated statements of income (loss) and comprehensive income (loss), the consolidated statements of changes in unitholders' equity and the consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of NorthWest Healthcare Properties Real Estate Investment Trust as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 8, 2018
Toronto, Canada

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

As at	**Note**	**December 31, 2017**	December 31, 2016
Assets			
Investment properties	**8**	**$ 4,144,789**	$ 3,040,354
Investment in associates	**9**	**—**	95,351
Intangible assets	**10**	**47,301**	103,196
Goodwill	**4**	**134,630**	41,671
Financial instruments	**16**	**1,935**	449
Accounts receivable		**8,260**	7,636
Other assets	**11**	**106,546**	19,625
Cash and restricted cash	**20**	**72,067**	20,251
Assets held for sale	**7**	**168,500**	—
Total assets		**$ 4,684,028**	$ 3,328,533
Liabilities			
Mortgages and loans payable	**12**	**$ 2,124,769**	$ 1,365,676
Deferred consideration	**13**	**38**	13,119
Convertible debentures	**14**	**296,857**	331,834
Deferred unit plan liability	**17**	**18,009**	14,935
Class B exchangeable units	**18**	**216,008**	193,780
Deferred revenue		**1,478**	573
Deferred tax liability	**15**	**224,329**	140,150
Financial instruments	**16**	**15,769**	15,077
Income tax payable		**9,759**	14,230
Accounts payable and accrued liabilities		**57,566**	44,740
Distributions payable		**6,736**	4,629
Liabilities related to assets held for sale	**7**	**57,785**	—
Total liabilities		**$ 3,029,103**	$ 2,138,743
Unitholders' Equity			
Unitholders' equity	**19**	**947,670**	704,285
Non-controlling interest	**24**	**707,255**	485,505
Total liabilities and unitholders' equity		**$ 4,684,028**	$ 3,328,533

The consolidated financial statements were approved by the Board on March 8, 2018 and signed on its behalf by:

"Colin Loudon" Trustee
"Paul Dalla Lana" Trustee

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(in thousands of Canadian dollars)

For the year ended December 31,	Note		2017		2016
Net Property Operating Income					
Revenue from investment properties		$	313,966	$	277,346
Property operating costs			81,907		74,749
			232,059		202,597
Other Income					
Interest			4,550		2,852
Management fees	10		7,723		2,102
Share of profit of associates	9		43,681		8,679
			55,954		13,633
Expenses					
Mortgage and loan interest expense			101,771		75,851
General and administrative expenses			25,125		19,772
Transaction costs			13,291		4,106
Foreign exchange (income) loss			(7,412)		1,465
			132,775		101,194
Income before other finance costs, fair value adjustments, and net loss on disposal of investment property, and net gain on business combination			155,238		115,036
Finance Costs					
Amortization of financing costs			(7,446)		(4,768)
Amortization of mark-to-market adjustment			3,165		5,964
Class B exchangeable unit distributions	18		(15,199)		(15,199)
Fair value adjustment of Class B exchangeable units	18		(22,228)		(24,127)
Accretion of financial liabilities	12		(3,667)		(10,053)
Fair value adjustment of convertible debentures	14		(5,303)		(6,490)
Convertible debenture issuance costs			—		(7,064)
Fair value gain (loss) on financial instrument	16		4,352		(1,945)
Fair value adjustment of investment properties	8		259,551		136,366
Net loss on disposal of investment properties	6		(675)		(2,807)
Fair value adjustment of deferred unit plan liability	17		(1,793)		(1,451)
Loss on business combination	4,5		(89,578)		53
Income (loss) before taxes			276,417		183,515
Income tax expense	15		51,178		54,384
Net income (loss)		$	225,239	$	129,131
Net income (loss) attributable to:					
Unitholders		$	67,387	$	56,963
Non-controlling interest			157,852		72,168
		$	225,239	$	129,131

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) (cont.)
(in thousands of Canadian dollars)

For the year ended December 31,	Note		2017		2016
Net Income (loss)		**$**	**225,239**	$	129,131
Other comprehensive income ("OCI") (loss):					
Items that will be reclassified subsequently to income:					
Foreign currency translation adjustment		**$**	**(48,658)**	$	20,593
Realised foreign exchange gains/(losses) on hedges			**1,005**		16,826
Current taxation (expense)/credit			**(281)**		(4,711)
Unrealised foreign exchange gains/(losses) on hedges			**(233)**		(8,560)
Deferred taxation (expense)/credit			**397**		2,397
Fair value gain (loss) on net investment hedges			**(6,118)**		2,168
Deferred taxation (expense)/credit			**1,381**		(607)
Other comprehensive income (loss), net of tax			**(52,507)**		28,106
Total comprehensive income (loss) for the period		**$**	**172,732**	$	157,237
Total comprehensive income (loss) attributable to:					
Unitholders		**$**	**(6,119)**	$	88,244
Non-controlling interest			**178,851**		68,993
		$	**172,732**	$	157,237

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity
(in thousands of Canadian dollars)

	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**	143,795	—	—	—	—	—	143,795	107,835	251,630
Units issued through distribution reinvestment plan		4,821	—	—	—	—	—	4,821	4,063	8,884
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		—	—	—	(50,721)	—	—	(50,721)	(22,869)	(73,590)
Currency translation differences		—	—	—	—	29,433	—	29,433	(8,840)	20,593
Other comprehensive income (loss)		—	—	—	—	1,848	—	1,848	5,665	7,513
Net income (loss) for the period		—	—	—	—	—	56,963	56,963	72,168	129,131
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**	312,484	—	—	—	—	—	312,484	6,093	318,577
Units issued through distribution reinvestment plan		6,363	—	—	—	—	—	6,363	5,757	12,120
Units issued on exercise of deferred units	**19**	1,035	—	—	—	—	—	1,035	—	1,035
Conversion of convertible debenture	**19**	444	—	—	—	—	—	444	—	444
Acquisition of control of subsidiary	**4**	—	—	—	—	—	—	—	57,942	57,942
Distributions		—	—	—	(70,823)	—	—	(70,823)	(26,892)	(97,715)
Foreign currency translation differences		—	—	—	—	(72,549)	—	(72,549)	23,891	(48,658)
Other comprehensive income (loss)		—	—	—	—	(956)	—	(956)	(2,893)	(3,849)
Net income (loss) for the period		—	—	—	—	—	67,387	67,387	157,852	225,239
Balance, December 31, 2017		$ 924,918	$ 39,839	$ (115)	$ (181,680)	$ (45,590)	$ 210,298	$ 947,670	$ 707,255	$ 1,654,925

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)

For the year ended December 31,	Note	2017	2016
Cash provided by (used in):			
Operating activities			
Net income before taxes		$ **276,417**	$ 183,515
Adjustment for:			
Amortization		**1,409**	750
Mortgage and loan interest		**101,771**	75,851
Mortgage and loans interest paid		**(91,754)**	(70,697)
Finance costs			
Amortization of financing costs		**7,446**	4,768
Amortization of mark-to-market adjustment		**(3,165)**	(5,964)
Class B exchangeable unit distributions	**18**	**15,199**	15,199
Fair value adjustment of Class B exchangeable units	**18**	**22,228**	24,128
Accretion of financial liabilities	**12**	**3,667**	10,053
Fair value adjustment of convertible debentures	**14**	**5,303**	6,490
Convertible debenture issuance costs		**—**	7,064
Interest Income		**(4,550)**	(2,852)
Share of profit of associate	**9**	**(43,681)**	(8,679)
Loss on business combination	**5**	**89,578**	(53)
Unrealized foreign exchange (gain)/loss		**(7,394)**	(47)
Amortization of deferred revenue		**(1,229)**	(1,128)
Amortization of finance leases receivable/payable		**(153)**	—
Fair value adjustment of investment properties	**8**	**(259,551)**	(136,366)
Fair value (gain)/loss on financial instruments	**16**	**(4,352)**	3,237
Net loss on disposal of investment properties	**7**	**675**	2,807
Fair value adjustment of deferred unit plan liability		**1,793**	1,451
Unit-based compensation expense	**17**	**4,791**	2,122
Redemption of units issued under deferred unit plan		**(2,371)**	(108)
Income taxes paid	**15**	**(5,079)**	(5,798)
Changes in non-cash working capital balances	**20**	**(16,158)**	(6,515)
Cash provided by (used in) operating activities		**90,840**	99,228
Investing activities			
Acquisitions of investment properties	**6**	**(313,870)**	(325,439)
Additions to investment properties	**8**	**(79,389)**	(72,188)
Net proceeds on disposal of investment property	**7**	**31,548**	79,193
Additions to investment in associate	**9**	**(376,867)**	(97,252)
Investment in subsidiary	**5**	**(32,979)**	(56,387)
Investment in financial assets	**16**	**(17,265)**	—
Cash interest received		**4,030**	2,852
Cash acquired on acquisition of control	**3**	**4,891**	2
Distributions from associates		**7,354**	2,268
Additions to furnitures and fixtures		**(1,747)**	(765)
Receipts (payments) from foreign exchange contracts		**1,047**	17,988
Net decrease (increase) to restricted cash		**(59)**	402
Cash provided by (used in) investing activities		**(773,306)**	(449,326)
Financing activities			
Mortgage and loan proceeds		**426,072**	382,151
Mortgage and loans discharged	**12**	**(99,563)**	(167,222)
Repayment of mortgages		**(20,225)**	(18,834)
Repurchase of units under normal course issuer bid	**19**	**—**	(286)
Net advances (repayments) of loans payable		**280,984**	(122,820)
Issuance of convertible debentures, net of issuance cost	**14**	**—**	148,351
Redemption of convertible debentures	**14**	**(39,836)**	—
Proceeds from issue of units, net of issue costs	**19**	**318,577**	251,684
Financing fees paid		**(15,173)**	(14,392)
Net (payments) advances from related parties		**255**	(362)
Payment of deferred consideration		**(12,836)**	(30,627)
Distributions paid		**(62,296)**	(44,785)
Class B exchangeable units distributions paid	**18**	**(15,199)**	(15,199)
Distributions paid to non-controlling interest		**(21,109)**	(21,387)
Cash provided by (used in) financing activities		**739,651**	346,272
Net change in cash		**57,185**	(3,826)
Effect of foreign currency translation		**(5,436)**	8,946
Net change in cash		**51,749**	5,120
Cash, beginning of period		**19,955**	14,835
Cash, end of period		$ **71,704**	$ 19,955

Supplemental disclosure relating to non-cash financing and investing activities (note 20(iii))

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. Statement of Compliance

(a) Statement of compliance

The REIT's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of presentation and measurement

The consolidated financial statements are prepared on a going concern basis and have been presented in thousands of Canadian dollars, except units and per unit amounts. The Canadian dollar is the REIT's functional currency. The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the REIT's management to exercise judgment in applying the REIT's accounting policies.

These consolidated financial statements have been prepared in thousands of Canadian dollars on a historical cost basis except for:

(i) Investment properties, which are measured at fair value; and

(ii) Financial assets and financial liabilities classified as at fair value through profit and loss ("FVTPL"), derivative financial instruments and the deferred unit plan ("DUP") liability, which are measured at fair value.

(c) Critical accounting estimates

The preparation of these consolidated financial statements requires the REIT to apply judgment when making estimates and assumptions that affect the reported amounts recognized in the consolidated financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the consolidated financial statements. Actual results could differ from those estimates.

(i) Intangible asset

Intangible asset represents the REIT's rights and obligations under the contracts between NorthWest Healthcare Properties Management ("ANZ Manager"), a group of wholly-owned subsidiaries of the REIT, and Vital Healthcare Property Trust ("Vital Trust") and NorthWest Healthcare Properties Australia REIT ("Australia REIT", formerly Generation Healthcare REIT). The Vital Trust intangible asset has been measured at its fair value as at the date it was acquired, January 1, 2015. The Australia REIT had been recorded at its fair value as at the date the REIT acquired Generation Healthcare Manager ("GHM") (note 5). When estimating the fair value of the intangible assets, the REIT made estimates and assumptions that have a significant effect on the reported value of the intangible asset. Estimates used in determining the fair value of the intangible asset include management fees, operating expenses, discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency exchange rates and earnings multiples. See note 5.

The contracts that govern the fee streams paid by both Vital Trust and Australia REIT do not expire and therefore, the contracts are deemed indefinite-life intangible assets (note 2(a)).

(ii) Investment properties

Investment properties are re-measured to fair value at each reporting date, determined based either on internal valuation models incorporating available market evidence, or on valuations performed by third-party appraisers. When estimating the fair value of investment properties, the REIT makes estimates and assumptions that have a significant effect on the reported value of investment properties. Estimates used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, net operating income and capital expenditures.

(iii) Derivative financial instruments

The measurement of the fair value of the REIT's derivative financial instruments is based on estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value. Estimates and assumptions used in the valuation for the REIT's derivatives are described in note 16.

(d) Critical judgments in applying accounting policies

In the preparation of these consolidated financial statements the REIT has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

(i) Leases

The REIT makes judgments in determining whether leases in which the REIT is the lessor are operating or finance leases, and has determined that all of its leases are operating leases. The accounting treatment of leases as finance leases would have a significant effect on the measurement of transactions and balances in the consolidated financial statements.

(ii) Investment Acquisitions

When investments are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return.

Business Combinations are measured at fair value on the date of acquisition based on the aggregate of the consideration transferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date and acquisition-related costs are recognized in the consolidated statement of income as incurred.

When acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition related costs are capitalized to the investment at the time the acquisition is completed.

All of the REIT's property acquisitions, with the exception of any interest in investment properties acquired as a result of the business combination of Northwest Healthcare Australia RE Limited (note 3), Australia REIT (note 4), and Acquisition of GHM (note 5) have been accounted for as asset acquisitions.

(iii) Consolidation Vital Trust

The REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust. The REIT's interest in Vital Trust, as at December 31, 2017, is 24.9%. The REIT assessed it has control over Vital Trust based on the definition of control and certain criteria provided for in IFRS 10-Consolidated Financial Statements. The REIT has assessed it has control over Vital Trust based on the following key observations: i) the REIT controls the external manager of Vital Trust through the 100% indirect ownership of ANZ Manager. The ownership of the VHML results in the REIT directing all activities of Vital Trust; ii) the REIT has the right to appoint a majority of directors of the board of Vital Healthcare Management Limited, which acts as the board of directors of Vital Trust; and iii) the 75.1% non-controlling interest of Vital Trust is widely held with no known investor holding more than a 5% interest in Vital Trust, other than the REIT.

(iv) Income Taxes

With the exception of subsidiaries that are subject to income taxes, deferred income taxes are not recognized in the consolidated financial statements on the basis that the REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year. In applying this accounting policy, the REIT has made the judgment that the REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future; however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the REIT would be subject to Canadian taxation on its non-portfolio earnings.

We make significant judgments in interpreting tax rules and regulations when we calculate income tax expense. The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the REIT performs activities. The REIT is subject to tax audits from various tax authorities on an ongoing basis and from time to time, tax authorities may disagree with the positions and conclusions taken by the REIT in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. There are a number of uncertainties involved in such matters and as a result, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect, individually or in aggregate, on the REIT's operations or financial condition or performance in future periods. Management regularly assesses its position on the adequacy of such accruals or provisions and will make any necessary adjustments.

2. Summary of Significant Accounting Policies

(a) Goodwill and intangible assets

The carrying values of identifiable indefinite-life intangible assets and goodwill are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. A cash generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite-life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

As at December 31, 2017, the REIT performed its annual goodwill impairment test. Based on the impairment test performed, the REIT concludes that no goodwill impairment existed as at December 31, 2017.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the REIT obtains control, and continue to be consolidated until the date that such control ceases. Control exists when the REIT has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

(c) Functional and presentation currency

The functional and presentation currency of the REIT is the Canadian dollar. Assets and liabilities of subsidiaries and associates having a functional currency other than the Canadian dollar are translated at the rate of exchange at the consolidated statement of financial position dates. Revaluation gains and losses are recognized in other comprehensive income. Revenue and expenses are translated at average rates for the year.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting year, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the consolidated statement of financial position dates. Gains and losses on translation of monetary items are recognized in the consolidated statements of income, except for those related to monetary liabilities qualifying as hedges of the REIT's investment in foreign operations or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in other comprehensive income.

(d) Investment properties

Investment properties include properties that are held principally by the REIT to earn rentals, for capital appreciation, or both. Investment properties acquired are recognized initially at cost, which includes all costs directly related to the acquisition of the properties such as legal fees, appraisal fees and land transfer taxes. Subsequent to initial recognition, investment properties are measured at fair value, with changes in fair value recognized in the consolidated statements of income and comprehensive income in the years in which they arise. Subsequent capital expenditures are charged to investment property only when it is probable that the future economic benefits of the expenditure will flow to the REIT and the cost can be measured reliably.

(e) Assets Held for Sale

Investment properties are transferred to assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the investment property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property, and its sale must be highly probable. Management must be committed to a plan to sell the asset and an active effort to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, with the sale expected to be consummated within one year from the date of classification as held for sale. Investment properties classified as assets held for sale are measured at fair value.

(f) Intangible assets

The intangible assets (note 10) relate to the REIT's rights and obligations that ANZ Manager has under its contracts with Vital Trust and Australia REIT. The intangible asset between ANZ Manager and Vital Trust has been measured at its fair value as at the effective date of the Internalization Transaction. The contract between ANZ Manager and Australia REIT had also been measured at its fair value as at the date the REIT acquired 100% interest in GHM. As both contracts have an indefinite life and do not expire, the intangible assets are not being amortized. The intangible assets are assessed for impairment annually and whenever there is an indication that an intangible asset may be impaired. Intangible asset related to contract with Australia REIT was written-off upon business combination of Australia REIT.

(g) Leases

A lease is classified as a finance lease if it results in a transfer of substantially all the risks and rewards incidental to ownership from the REIT to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. Upon business combination of Australia REIT (note 4) the REIT assumed a long-term lease that is a finance lease. All other leases to which the REIT is the lessor have been determined to be operating leases.

(h) Revenue recognition

Rental revenue from operating leases is recognized over the lease term on a straight-line basis. The difference between rental revenue recognized and cash flows is recorded as straight-line rent receivable or payable on the consolidated statements of financial position. Rental revenue includes rental income earned from tenants under lease agreements, operating costs and realty tax recoveries, parking income, and incidental income. Operating cost and realty tax recoveries are recognized in the year that recoverable costs are chargeable to tenants.

Other income includes management fees earned from the management contract for Australia REIT as described in note 10. The REIT recognizes management fees to the extent those fees are earned from third-party interest in Australia REIT.

Deferred revenue comprises amounts received in advance related to income from rents relating to future years.

(i) Financial Instruments

The REIT recognizes financial assets and financial liabilities when the REIT becomes a party to a contract. Financial assets and financial liabilities, with the exception of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL"), are measured at fair value plus transaction costs on initial recognition. Financial assets carried at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Measurement in subsequent years depends on the classification of the financial instrument:

FVTPL

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management, or if they are derivative assets. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of income (loss) and comprehensive income (loss).

The REIT has not designated any assets as FVTPL. Certain derivative financial instruments that are considered to be derivative assets are classified as FVTPL by definition.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the REIT has the ability and the intent to hold until maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, its recoverable amount is determined and any impairment loss is recognized in the consolidated statements of income and comprehensive income. Objective evidence would include a significant or prolonged decline in the fair value of an investment below its original cost.

Upon business combination of Australia REIT (note 4), the REIT assumed two loan receivables that it accounts for as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such by management or not classified in any of the other categories. Available-for-sale financial assets are measured at fair value with changes recognized in other comprehensive income. Upon sale or impairment, the accumulated fair value adjustments recognized in other comprehensive income are recorded in the consolidated statements of income and comprehensive income. If there is objective evidence that an asset is impaired, its recoverable amount is determined and any impairment loss is recognized in the consolidated statements of income and comprehensive income. Objective evidence would include a significant or prolonged decline in the fair value of an asset below its original cost.

Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. If there is objective evidence that an asset is impaired, its recoverable amount is determined and any impairment loss is recognized in the consolidated statements of income and comprehensive income.

Cash, accounts receivable, and the balances due from related parties are classified as loans and receivables. Due to the short-term nature of accounts receivable and due to the fact that the balances due from related parties are due on demand, the carrying amounts of these loans and receivables approximate fair values.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if they are designated as such by management, or they are derivative liabilities. Financial liabilities classified as FVTPL are measured at fair value, with changes recognized in the consolidated statements of income and comprehensive income.

The REIT has designated the Class B exchangeable units, convertible debentures, and DUP liability as FVTPL. Certain derivative financial instruments are considered to be derivative liabilities, and are classified as FVTPL by definition.

Other financial liabilities

Other financial liabilities are financial liabilities that are not classified as FVTPL. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The REIT's other financial liabilities include mortgages and loans payable, deferred consideration, accounts payable and accrued liabilities, and distributions payable.

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or disbursements (including all transaction costs and other premiums or discounts) through the expected life of the debt instrument to the net carrying amount on initial recognition.

Due to their short-term nature, the carrying value of the deferred consideration, accounts payable and accrued liabilities, income taxes payable, and distributions payable approximates fair value.

(j) Other assets

Other assets include commodity taxes recoverable, acquisition costs and deposits, and prepaid expenses. Acquisition costs and deposits related to future asset acquisitions are capitalized when it is probable that the acquisition will be completed.

(k) DUP liability

The DUP units are exchangeable for Trust Units, which in turn are puttable financial instruments and classified as a liability under International Accounting Standard 32, Financial Instruments - Presentation ("IAS 32"). As such, the DUP units are classified as a liability. Management designated the DUP liability as FVTPL; the DUP liability is re-measured to fair value each reporting date with changes recorded in the consolidated statements of income and comprehensive income.

(l) Segmented reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(m) Derivative financial instruments

The REIT uses derivative financial instruments such as interest rate swaps and forward exchange contracts to manage risks from fluctuations in interest rates and foreign exchange rates.

Derivative financial instruments are initially recorded at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value. Gains and losses arising from changes in fair value of a derivative are recognised as they arise in the profit and loss in the statement of comprehensive income unless the derivative is a hedging instrument in a qualifying hedge relationship, in which case the gains and losses are recognised in other comprehensive income.

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on variable rate loans. These derivative financial instruments are not designated as hedging instruments. Gains or losses arising from the change in fair values of the interest rate swap contracts are recognized in the consolidated statements of income.

The REIT entered into a forward contract to purchase an additional Australia REIT units .The REIT determined that the forward contract was a derivative financial instrument and did not designate it as a hedging instrument. Gains or losses arising from the change in fair values of the forward contact were recognized in the consolidated statements of income.

Hedge Accounting

The REIT, through its investment in Vital Trust, has entered into certain hedge relationships for hedges of net investments in foreign operations. Hedge relationships are formally documented at the inception of the hedge and this documentation identifies the hedged item, hedging instrument, risks that are being hedged, strategies for undertaking the hedge, and the way effectiveness will be assessed.

In the hedge of a net investment in a foreign operation, the portion of foreign exchange differences arising on the hedging instrument determined to be an effective hedge is recognised directly in other comprehensive income. Any ineffective portion is recognised directly in the profit and loss in the statement of comprehensive income. The REIT, through its investment in Vital Trust, uses derivative financial instruments and non-derivative financial instruments as hedging instruments of a net investment in a foreign operation. On disposal of the foreign operation, the cumulative value of such gains or losses recognised in other comprehensive income is reclassified to profit and loss in the statement of comprehensive income.

(n) Class B exchangeable units

The Class B exchangeable units of a subsidiary of the REIT are exchangeable into trust units at the option of the holder. The trust units of the REIT are puttable financial instruments (note 2(o)). The Class B exchangeable units therefore are classified as financial liabilities and have been elected to be measured at fair value through profit and loss each reporting period with any changes in fair value recognized in the consolidated statements of income and comprehensive income as finance costs. The distributions paid on the Class B exchangeable units are accounted for as finance costs.

(o) Trust units

The trust units meet the definition of a financial liability in accordance with IAS 32, as they are redeemable at the option of the holder. The trust units are considered to be puttable instruments because of the redemption feature of the trust units. There is a limited exemption to allow puttable instruments to be presented as equity provided certain criteria are met.

The trust units meet the criteria for this exemption, and accordingly are presented as equity in the consolidated financial statements. Trust units are recognized at the proceeds received, net of direct issue costs. The distributions on trust units are recorded as a reduction in unitholders' equity in the consolidated financial statements. Trust units are recognized at the proceeds received, net of direct issue costs. The distributions on trust units are recorded as a reduction in unitholders' equity.

(p) Income taxes

The REIT is a mutual fund trust and a real estate investment trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a real estate investment trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders of the REIT ("Unitholders") each year. The REIT is a real estate investment trust if it meets the prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenues (the "REIT Conditions"). The REIT has reviewed the REIT Conditions and has assessed their interpretation and application to the REIT's assets and revenue. The REIT intends to ensure that it will meet the REIT conditions and will make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

The REIT's subsidiaries are subject to income taxes as imposed by the jurisdictions in which they operate, in accordance with the relevant tax laws of such jurisdictions. The provision for income taxes for the year comprises current and deferred income tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Investment in associates

Associates are all entities over which the REIT has significant influence but not control. The REIT's share of its associates' post acquisition net income (loss) is recognized in net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) is recognized in other comprehensive income (loss). The cumulative post acquisition movements are adjusted against the carrying amount of the investments. When the REIT's share of losses in associates equals or exceeds its interest in the associates, the REIT does not recognize further losses. Unrealized gains and losses on transactions between the REIT and its associates are eliminated to the extent of the REIT's interest in the associates. Accounting policies of the REIT's associates are consistent with the policies adopted by the REIT.

Prior to business combination of Australia REIT(see note 4), the REIT's investment in associates included the REIT's interest in Australia REIT. The REIT determined it had significant influence, but not control, over the investment based on the presence of qualitative and quantitative indicators under IAS 28-Investments in associates and joint ventures. The REIT considered the following in making its assessment: i) the REIT held approximately 20% interest in Australia REIT but did not have representation on the board of APN Funds Management Limited (“APN”), the “Responsible Entity” which acts as the board of directors of Australia REIT ; ii) through its 100% control of ANZ Manager, the external asset manager for Australia REIT, the REIT managed the day to day operations of Australia REIT and had the ability to influence decisions, made by the Responsible Entity, surrounding material transactions; iii) the existence of material transactions between the REIT and Australia REIT, including fees earned by ANZ Manager for providing Australia REIT with operations management, investment management and administrative services. The REIT accordingly accounted for its investments using the equity method of accounting. The investment in Australia REIT had been initially recognized at cost on the date at which significant influence was obtained (see note 9).

(r) Convertible Debentures

The convertible debentures are convertible into trust units of the REIT. As the REIT's trust units are redeemable at the option of the holder and are therefore considered puttable instruments in accordance with IAS 32, the convertible debentures are considered a liability containing liability-classified embedded derivatives. The REIT has elected to classify and measure its convertible debentures as financial liabilities measured at FVTPL with the changes in fair value being recognized in the consolidated statements of income (loss) and comprehensive income (loss).

(s) Recently adopted accounting standards

(i) IAS 7, Statement of Cash Flows ("IAS 7")

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments applied prospectively for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The REIT has adopted the amendments of IAS 7 in its financial statements and included the related additional disclosure in note 20 (iii).

(ii) IAS 12, Income Taxes ("IAS 12")

On January 19, 2016 the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments clarified that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments applied retrospectively for annual periods beginning on or after January 1, 2017. The adoption of the amendment did not have a material impact on the consolidated financial statements of the REIT.

(t) Future accounting changes

(i) IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9, Financial Instruments ("IFRS 9") replacing IAS 39, Financial Instruments - Recognition and Measurement. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with cumulative effects of initial application recorded in opening retained earnings on Janaury 1, 2017, and without restatement of the comparative period.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI ("FVTOCI") and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its assessment, the REIT does not believe that the new classification requirements will have a material impact on its accounting for account receivables and loans. Time-to-time the REIT has investments in debt /equity securities that are held with no intent to sell them near term and are not derivative financial instruments. More likely than not, such investments will now be designated as FVTOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. As at December 31, 2017, the REIT had no such investments in equity or debt securities.

IFRS 9 introduces a new expected credit loss ("ECL") impairment model for all financial assets measured at amortized cost or debt instruments measured at FVTOCI, except for investments in equity instruments, and to contract assets. ECL replaces the current 'incurred loss model in IAS 39. The new ECL model will require an allowance for expected credit losses being recorded regardless of whether or not there is history of actual losses. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. Although the REIT continues to refine certain aspects of the ECL modeling process leading to its March 31, 2018 financial reporting, it does not however expect the application of the ECL impairment model will result in any material incremental impairment over that recognised under IAS 39 for its loans carried at amortized cost or its accounts receivable.

Accounting for financial liabilities under IFRS 9 is generally consistent with the requirements in IAS 39. The standard introduces additional changes relating to financial liabilities designated as FVTPL. For all financial liabilities designated as FVTPL the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of change in fair value is presented in profit or loss. The REIT's assessment did not indicate any material impact as a result of this change on it as the change in fair value of its liabilities designated as FVTPL is driven primarily by market factors.

IFRS 9 also introduces a new hedge accounting model. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The REIT does not currently undertake hedges of such risk components. The REIT intends to adopt IFRS 9 hedge accounting in its consolidated financial statements starting January 1, 2018 and does not expect any financial reporting impact on its existing hedges.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 and replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue-Barter Transactions Involving Advertising Services. The new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with cumulative effects of initial application recorded in opening retained earnings on Janaury 1, 2017, and with restatement of the comparative period. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not however, apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The REIT intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The REIT continues to evaluate impact of the new standard but its current assessment indicates that the pattern of revenue recognition will remain unchanged under the new five-step model. Adoption of IFRS 15 will result in additional disclosure of the REIT's existing revenue streams, particularly allocation of revenues between operating expense recoveries and rental revenues.

(iii) IFRS 2, Share-based payment ("IFRS 2")

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The REIT intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The REIT does not expect the amendments to have a material impact on the financial statements.

(iv) IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

On December 8, 2016, the IASB issued IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration. The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018 but earlier application is permitted. IFRIC 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The interpretation may be applied either retrospectively or prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period an entity first applies the interpretation in; or the beginning of a prior reporting period presented as comparative information. The REIT intends to adopt the IFRIC 22 in its financial statements for the annual period beginning on January 1, 2018 and does not expect the it to have a material impact on the financial statements.

(iv) IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

On June 7, 2017, the IASB issued IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 requires an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; determine if it is probable that the tax authorities will accept the uncertain tax treatment and; if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The REIT intends to adopt the interpretation in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the Interpretation has not yet been determined.

(v) IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued on January 13, 2016. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. The REIT intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

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 Australia REIT. 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 Australia REIT.

4. Business Combination of Australia REIT (formerly Generation Healthcare REIT ("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 NWH 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 GHM, 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 the 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.

(in thousands of Canadian dollars)

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		(43,593)
Non-controlling interest		(57,942)
Net assets acquired	$	411,084
Consideration:		
Fair value of the REIT's interest in Australia REIT	$	473,112
Additional interest acquired from compulsory acquisition		32,362
Total Consideration	$	505,474
Goodwill	**$**	**94,390**

During the year ended December 31, 2017, the REIT incurred transaction costs of $12,859, 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).

Following the business combination of GHC, GHC was rebranded to Australia REIT. GHM was integrated with Vital Healthcare Management Limited ("Vital Manager"). The integrated management platform has been rebranded to NorthWest Healthcare Properties Management ("ANZ Manager").

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

	For the year ended December 31, 2017	
	As reported	**Pro forma**
Revenues	$ 313,966	$ 337,744
Net income (loss) attributable to unitholders	67,387	83,506

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 Australia REIT been consolidated at the beginning of the period presented. The pro forma supplemental information excludes business integration costs and opportunities.

(in thousands of Canadian dollars)

5. Acquisition of GHM

On June 27, 2016, the REIT acquired 100% of GHM, the external asset manager for Australia REIT. 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 10)	$	55,969
Performance fee receivable		8,343
Transition services (note 10)		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 December 31, 2017, the performance fee receivable has been collected and all deferred consideration has been settled. The REIT also derecognized the Australia REIT management rights as a result of business combination of Australia REIT (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 [2]	New South Wales, Australia	Hospital and Healthcare Facilities	February 27, 2017	21,781	—
Grafton Aged Care Facility [2][3]	New South Wales, Australia	Hospital and Healthcare Facilities	March 31, 2017	9,141	—
Epworth Eastern Hospital[2]	Victoria, Australia	Hospital and Healthcare Facilities	March 31, 2017	19,500	—
Ormiston Hospital[2]	Auckland, New Zealand	Hospital and Healthcare Facilities	April 5, 2017	33,521	—
Hirondelle Private Hospital [2]	New South Wales, Australia	Hospital and Healthcare Facilities	June 1, 2017	25,449	—
The Hills Clinic[2]	New South Wales, Australia	Hospital and Healthcare Facilities	August 1, 2017	31,472	—
Eden Rehab[2]	Queensland, Australia	Hospital and Healthcare Facilities	December 11, 2017	24,599	—
Bowen Hospital[2]	Wellington, New Zealand	Hospital and Healthcare Facilities	December 14, 2017	39,342	—
Wakefield Hospital[2]	Wellington, New Zealand	Hospital and Healthcare Facilities	December 14, 2017	20,986	—
Royston Hospital[2]	Hastings, New Zealand	Hospital and Healthcare Facilities	December 14, 2017	47,997	—
Alten Holstenstrasse	Hamburg, Germany	Medical Office Building	December 18, 2017	20,404	13,802
Other[4]	Various			7,515	—
				$ 333,120	**$ 33,038**

[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 24.9% 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

(in thousands of Canadian dollars)

(b) 2016 Property Acquisitions

	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	Hospital and Healthcare 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 and Healthcare Facilities	July 1, 2016	30,345	—
Hospital Ifor	Sao Paulo, Brazil	Hospital and Healthcare Facilities	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 and Healthcare Facilities	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

7. Property Disposal

During the year ended December 31, 2017, the REIT completed the sale of the following properties that were classified as assets held for sale:

	Location	Property type	Disposition date	Gross Proceeds	Property specific debt settled
Clinique Bois-De-Boulogne	Quebec, Canada	Medical Office Building	December 7, 2017	$ 10,435	$ 8,940
Harvester Centre	Victoria, Australia	Medical Office Building	December 14, 2017	21,787	—
				$ 32,222	**$ 8,940**

For the year ended December 31, 2017, the REIT recognized a net fair value gain of $27 upon disposal of the investment properties which were previously classified as assets held for sale (December 31, 2016 – nil). Additionally, for the year-ended December 31, 2017, the REIT incurred various transaction costs related to property disposals, resulting in a loss of $675 (December 31, 2016 – 2,807).

As at December 31, 2017, the REIT had classified a medical office building with fair value of $168,500 located in Ontario, Canada respectively, as held for sale (December 31, 2016 - nil properties with fair value of nil). Liabilities associated with the property as at December 31, 2017 are $57,785 representing a first mortgage secured by the property (December 31, 2016 - nil).

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.

(in thousands of Canadian dollars)

8. Investment Properties

As at	December 31, 2017	December 31, 2016
Balance, beginning of period	**$ 3,040,354**	$ 2,491,835
Business combination of Australia REIT (note 4)	**691,674**	
Acquisition of investment properties (note 6)	**333,120**	328,411
Disposition of investment properties (note 7)	**—**	(21,225)
Additions to investment properties	**79,432**	67,585
Increase in straight line rents	**1,677**	1,937
Reclassified as assets held for sale (note 7)	**(200,699)**	—
Amortization of deferred revenue	**1,229**	1,154
Fair value gain (loss)	**259,524**	143,368
Foreign currency translation	**(61,522)**	27,289
Balance, end of period	**$ 4,144,789**	$ 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 using internal valuation models incorporating available market evidence, or using valuations performed by third-party appraisers.

Investment properties are carried at fair value. The fair values of the investment properties at December 31, 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.

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

As at December 31, 2017	Canada	Brazil	Germany	Australasia
Discount rate - range	5.3% - 8.5%	8.0%	5.2% - 6.7%	6.3% - 9.5%
Discount rate - weighted average	7.3%	8.0%	5.7%	6.8%
Terminal capitalization rate - range	5.0% - 8.0%	7.5%	5.0% - 6.8%	5.5% - 9.0%
Terminal capitalization rate - weighted average	6.7%	7.5%	5.6%	6.2%
Implied capitalization rate - range	3.0% - 9.4%	7.7%	4.5% - 6.6%	5.3% - 8.4%
Implied capitalization rate - weighted average	6.6%	7.7%	5.7%	5.8%

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%

Fair values are most sensitive to changes in discount rates and terminal capitalization rates. A 0.25% increase in the weighted average portfolio discount rate and terminal capitalization rate would decrease fair value by

(in thousands of Canadian dollars)

$99,292 and a 0.25% decrease would increase fair value by $146,506.

As at, and during the year ended December 31, 2017, investment properties with an aggregate fair value of $778,390 and $2,994,679, respectively (For the year ended December 31, 2016 - $227,694 and $1,417,961 respectively) were valued by external valuation professionals with recognized and relevant professional qualification.

Future minimum contractual rent (excluding service charges) under operating leases is as follows:

		December 31, 2017
Less than 1 year	$	251,061
1 - 5 years	$	964,830
Longer than 5 years	$	2,477,029

9. Investment in Associate

As at December 31, 2017, the investment in associate balance entirely consists of the REIT's investment in Australia REIT.

As at	**December 31, 2017**	**December 31, 2016**
Balance, beginning of period	**95,351**	—
Acquisition of Investment in Australia REIT	**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 Australia REIT (see note 4)	**(507,348)**	—
Balance, end of period	**—**	**95,351**

During the year ended December 31, 2017 the REIT acquired 6,700,000 Australia REIT units for $13,392 (A $13,526) prior to its business combination. The REIT subsequently announced an all-cash, unconditional, off-market takeover offer for all remaining outstanding units of Australia REIT that it did not already own. The offer was A$2.24 per Australia REIT unit outstanding. On May 4, 2017, based on receiving the recommendation of Australia REIT's independent directors, the REIT announced it had increased the offer price to a best and final of A$2.30 per Australia REIT unit. Under the terms of the Australia REIT bid, the REIT purchased an additional 156,434,870 Australia REIT units for $363,475 (A$359,800), increasing the REIT's interest in Australia REIT to 93.6%. Consequently, the REIT dispatched a compulsory acquisition notice under the GHC Bid which suspended the trading of Australia REIT units on the Australian Securities Exchange. The REIT completed the compulsory acquisition of all outstanding Australia REIT units on July 17, 2017 and has accounted for Australia REIT as a business combination (note 4).

As at December 31, 2016, the REIT had approximately 19.8% interest in Australia REIT from the REIT's exposure to 43,475,078 Australia REIT units. The REIT had acquired 42,592,441 Australia REIT units for $88,668 (A$88,524) through exercise of put/call option agreements and the remainder of the Australia REIT units were acquired through market transactions.

For the year ended December 31, 2017, the REIT had recorded its share of Australia REIT profits of $43,681 (Year ended December 31, 2016 - $8,679) in the statement of income (loss) and comprehensive income (loss).

(in thousands of Canadian dollars)

10. Intangible Asset

The REIT's intangible asset relates to the management contracts for 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 Manager and related entities.

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

As at		**December 31, 2017**		December 31, 2016
Balance, beginning of period	**$**	**103,196**	$	46,757
Australia REIT 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 Australia REIT (note 4)		**(57,723)**		—
Foreign currency translation		**1,523**		226
Balance, end of period	**$**	**47,301**	$	103,196

11. Other Assets

As at		**December 31, 2017**		December 31, 2016
Acquisition and financing costs (i)	**$**	**6,060**	$	3,936
Prepaid expenses and deposits		**4,790**		5,996
Furniture and office equipment		**3,521**		1,556
Loans carried at amortized cost (ii)		**69,295**		—
Finance lease receivable (ii)		**21,724**		—
Performance fee receivable (note 5)		**—**		7,178
Other		**1,156**		959
	$	**106,546**	$	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 Australia REIT (see note 4) the REIT recorded a finance lease receivable of $21,724 (A$22,155) related to a long-term lease that is a finance lease, bearing a discount rate of 6.5% and remaining term of 69 years.

The REIT also recognized two loans carried at amortized cost, secured by properties, at their respective fair values on the date of the business combination and subsequently have accounted for the loans at amortized cost. The two assumed loans had a balance $51,972 as at December 31, 2017.

(in thousands of Canadian dollars)

12. Mortgages and Loans Payable

As at		December 31, 2017		December 31, 2016
Mortgage payable[1] (i)	$	**722,866**	$	771,869
Australasian secured financing[2] (ii)		**143,150**		118,000
Term loans and securitizations[3] (iv)		**1,103,353**		389,538
Acquisition facility[4] (iii)		**7,700**		17,456
Secured floating rate credit facilities[5] (v)		**137,899**		68,813
Finance lease (vi)		**9,801**		—
Total	$	**2,124,769**	$	1,365,676
Less: Current portion[6]		**414,000**		189,136
Non-current debt	$	**1,710,769**	$	1,176,540

[1] Net of financing costs of $2,802 (December 31, 2016 - $2,998)
[2] Net of financing costs of $3,534 (December 31, 2016 - $719)
[3] Net of financing costs of $15,528 (December 31, 2016 - $10,836)
[4] Net of financing costs of $300 (December 31, 2016 - $544)
[5] Net of financing costs of $601 (December 31, 2016 - $187)
[6] Current portion includes finance lease of $425 (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 $1,326,197 at December 31, 2017, and are repayable as follows:

		Scheduled principal payments		Debt maturing during the year		Total mortgages payable
2018	$	19,436	$	159,648	$	179,084
2019		16,654		56,192		72,846
2020		15,345		75,750		91,095
2021		10,848		169,383		180,231
2022		8,687		47,330		56,017
2023		5,377		43,979		49,356
2024		3,441		33,526		36,967
2025		1,948		30,383		32,331
2026 & thereafter		3,337		19,028		22,365
Face value	$	85,073	$	635,219	$	720,292
Mark-to-market adjustment						5,376
Unamortized financing costs						(2,802)
Carrying amount					$	722,866

During the year-ended December 31, 2017, the REIT repaid a mortgage on a Canadian investment property with an outstanding balance of $20,000 and interest rate of 5.75%. The REIT further renegotiated and extended the maturity date to July 2018 of another Canadian mortgage with a balance of $16,280, bearing a floating interest rate of prime rate plus 2.75% or floor rate of 5.60%.

Included in mortgages is a non-revolving secured credit facility with a balance of $51,203, which has a term maturing May 2, 2018, 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 replaces mortgages of $47,456 related to Canadian investment properties, bearing a weighted average interest rate of 4.43%.

As at December 31, 2017, mortgages related to German investment properties had a balance of $137,608 (€91,227) (December 31, 2016 - $92,838 (€65,596)). Mortgages related to investment properties located in Canada had balance of $582,684 as at December 31, 2017 (December 31, 2016 - $670,734).

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on of its $485,716 of variable rate mortgages payable as at December 31, 2017 (December 31, 2016 - $125,631) (note 16). The interest rate swaps terminate between 2020 and 2027.

ii. Australasian Secured Financing

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.

Concurrently, the REIT also entered into a non-revolving Australasian Secured Acquisition Facility with availability of up to $167,924 (A$172,000), subject to certain conditions relating to the Australia REIT Bid (see note 9) and secured by 206,609,948 Australia REIT units held by the REIT. The facility was subject to interest equal to the one-month bank bill reference rate of Australia plus 450 - 700 basis points, payable semi-annually.

Subsequently, the REIT repaid $119,621 (A$122,000) of the Australasian Secured Acquisition Facility using net proceeds from Australia REIT term loan financing (note 12(iv)(c)).

As at December 31, 2017, the principal balance outstanding on the Australasian Secured Financing was $97,659 (NZ$109,729) 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 Australia REIT). The REIT had a principal balance outstanding on the Australasian Secured Acquisition Facility of $49,025 (A$50,000) as at December 31, 2017.

iii. Acquisition Facility

As at December 31, 2017, the REIT had a balance outstanding on its $32,000 acquisition facility of $8,000 (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

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 $83,495 (R$218,000). The financing is secured by 100% of future rents during a ten year term and bears an interest rate of 6.35%.

As at December 31, 2017, the outstanding balance of the securitization financings was $221,208 (R $580,751) (December 31, 2016 - $157,036 (R$379,772)), with terms maturing between May, 2026 and November, 2027 and bearing a weighted average interest rate of 7.28% (December 31, 2016 - 7.84%)

For the year ended December 31, 2017, the REIT recorded IPCA related accretion expense of $3,652, respectively (for the year ended December 31, 2016 - $8,331) 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 $589,000 (A$600,000) facility, a multi-currency facility, is split between several tranches ranging from $18,000 (NZ$20,000) to $172,000 (A$175,000) which mature between October 30, 2020 and November 20, 2021.

As at December 31, 2017, Vital Trust had borrowings on the term loan facilities totaling $547,019 (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) Australia REIT term loans

On December 22, 2017, Australia REIT completed a new five year financing of $475,543 (A$485,000) term loan. The facility will be advanced in multiple stages and bears an stated interest rate of BBSY + applicable margin of 0.85% to 1.50%. As at December 31, 2017, Australia REIT had borrowings on the term loan facility totaling $218,043.

The REIT also assumed the following term loans upon business combination of the Australia REIT (see note 4):

i. A term loan of $42,260 (A$43,100) with a maturity of December 2022;

ii. A term facility with a limit of $24,513 (A$25,000) fully drawn at December 31, 2017, with a maturity of October 2019;

iii. A revolving cash advance facility with a limit of $40,397 (A$41,200) fully drawn at December 31, 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 Private Hospital which has a total limit of $26,422 (A$26,947) of which $25,442 (A$25,948) was drawn at December 31, 2017 and has a maturity of December 2018 (repaid in full in March 2018 with proceeds from the syndicated term loan facility (i)).

All of the Australia REIT'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 with fair value of $316,132, and the terms of a general security agreement.

(in thousands of Canadian dollars)

Periodically, the REIT will negotiate additional tranches to its revolving credit facility. On May 26, 2017, the REIT added an additional tranche of $125,000 bearing interest at rates ranging from the bank's prime rate plus 3.5% or Bankers' Acceptances plus 4.5%. The REIT fully repaid this tranche on October 13, 2017 using proceeds from the equity offering (note 19). Subsequently, the REIT added two separate additional tranches in the amount of $75,000 and $50,000. Tranches bear interest rates ranging from the bank's prime rate plus 3.00% or Bankers' Acceptances plus 4.25%. Both tranches have initial terms maturing March 20, 2018, subject to extension rights. As at December 31, 2017, the REIT had drawn $45,000 on the additional tranches.

vi. Finance Lease

As part of the Australia REIT 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 December 31, 2017 was 69 years. Minimum payments under the lease and their present values are as follows:

As at		December 31, 2017		December 31, 2016
Minimum lease payments payable:				
Not later than one year		**425**		—
Later than one year and not later than five years		**1,828**		—
Later than five years		**96,662**		—
		98,915		—
Future finance charges		**(89,114)**		—
Present value of minimum lease payments	**$**	**9,801**	**$**	**—**
Present value of minimum lease payments:				
Not later than one year		**409**		—
Later than one year and not later than five years		**1,585**		—
Later than five years	**$**	**7,807**	$	—
	$	**9,801**	**$**	**—**

A summary of the maturity and effective interest rates relating to the mortgages and loans payable outstanding at December 31, 2017 are as follows:

	Maturity	Weighted Average Interest Rate		Carrying Value
Fixed rate				
Mortgage debt	July 2018 - January 2029	3.38%	$	**655,521**
Term loans and securitizations	July 2018 - November 2027	5.86%		**562,512**
Total fixed rate debt			$	**1,218,033**
Variable Rate				
Mortgage debt	July 2018 - January 2029	3.95%	$	**67,345**
Term loans and securitizations	July 2018 - November 2027	3.26%		**540,841**
Australasian secured financing	July 2018 - April 2019	6.01%		**143,150**
Acquisition facility	December 31, 2018	8.20%		**7,700**
Secured floating revolving line of credit	March 2018 - November 2019	4.29%		**137,899**
Total variable rate debt			$	**896,935**
Total debt excluding finance lease			$	**2,114,968**
Finance lease		7.00 %		**9,801**
Total debt			$	**2,124,769**

(in thousands of Canadian dollars)

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on of its $485,716 of variable rate debt as at December 31, 2017 (December 31, 2016 - $125,631) (note 16). The interest rate swaps terminate between 2020 and 2027.

As at December 31, 2017, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Australasian Secured Financing	Term Loans and Securitizations	Acquisition Facility	Secured Floating Revolving Line of Credit	Finance Lease	Total
2018	$ 179,085	$ 97,659	$ 83,833	$ 8,000	$ 45,000	$ 408	$ 413,985
2019	72,846	49,025	263,954	—	93,500	392	479,717
2020	91,095	—	347,623	—	—	377	439,095
2021	180,231	—	22,254	—	—	362	202,847
2022	56,017	—	284,193	—	—	348	340,558
2023 & thereafter	141,018	—	117,024	—	—	7,914	265,956
	$ 720,292	$ 146,684	$ 1,118,881	$ 8,000	$ 138,500	$ 9,801	$2,142,158
Financing costs	(2,802)	(3,534)	(15,528)	(300)	(601)	—	(22,765)
Mark-to-market adjustment	5,376	—	—	—	—	—	5,376
	$ 722,866	$ 143,150	$ 1,103,353	$ 7,700	$ 137,899	$ 9,801	$2,124,769

13. Deferred Consideration

The following table summarizes the deferred consideration payable:

As at	**December 31, 2017**	December 31, 2016
Accrued transaction costs - Brazil (i)	**$ —**	$ 7,287
Consideration for acquisition (note 5)	**—**	5,810
Holdback payable - Germany (ii)	**38**	22
	$ 38	$ 13,119

(i) As at December 31, 2017, the REIT has recorded deferred consideration of $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 December 31, 2017, $38 (€25) (December 31, 2016 - $22 (€15)) remained unsettled.

(in thousands of Canadian dollars)

14. Convertible Debentures

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

As at		**December 31, 2017**		December 31, 2016
Balance, beginning of period	**$**	**331,834**	$	170,094
Issuance of convertible debenture		**—**		155,250
Conversion to REIT units (see note 19)		**(444)**		—
Convertible debenture redeemed		**(39,836)**		—
Change in fair value of convertible debentures		**5,303**		6,490
	$	**296,857**	$	331,834

On December 11, 2017, the REIT completed redemption of the following convertible debentures series:

- NWH.DB.A - 6.5% convertible unsecured subordinate debentures maturing March 31, 2018 of which $22,600 aggregate principal amount was outstanding on redemption date
- NWH.DB.B - 7.5% convertible unsecured subordinate debentures maturing September 30, 2018 of which $17,236 aggregate principal amount was outstanding on redemption date

Upon redemption, the REIT settled accrued unpaid interest for the period from the last interest payment date to redemption date of $545.

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.

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		**December 31, 2017**		December 31, 2016
NWH.DB	**$**	**41,458**	$	40,954
NWH.DB.A		**—**		23,052
NWH.DB.B		**—**		17,850
NWH.DB.C		**40,202**		39,719
NWH.DB.D		**55,474**		54,060
NWH.DB.E		**76,768**		75,498
NWH.DB.F		**82,955**		80,701
Fair Value	**$**	**296,857**	$	331,834
Current		**—**		—
Non-Current		**296,857**		331,834
	$	**296,857**	$	331,834

(in thousands of Canadian dollars)

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.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

15. Income Taxes

The REIT qualifies as a mutual fund trust and a real estate investment trust for Canadian income tax purposes. The REIT expects to distribute all of its taxable income to unitholders and is entitled to deduct such distributions for income tax purposes.

Accordingly, no provision for current and deferred income tax payable is required, except for amounts in respect of its incorporated subsidiaries in foreign jurisdictions, as follows:

Year ended December 31,	2017	2016
Current income tax	**939**	8,235
Deferred income tax, relating to origination of temporary differences	**50,239**	46,149
	$ 51,178	$ 54,384

Deferred taxes

Deferred income taxes reflect the net effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Deferred income tax liabilities consist of the following:

Year ended December 31,	2017	2016
Deferred tax liability related to difference in tax and book basis of:		
Investment properties	**216,703**	135,690
Mortgage and loans payables	**5,245**	6,915
Unit based compensation	**—**	286
Other	**11,311**	2,095
Total deferred income tax liabilities	**233,259**	144,986
Deferred tax asset related to difference in tax and book basis of:		
Derivative financial instruments	**4,315**	2,626
Other	**4,616**	2,210
Total deferred income tax assets	**8,931**	4,836
Net deferred income tax liability	**$ 224,328**	$ 140,150

Reconciliation of effective tax rate:

(in thousands of Canadian dollars)

Year ended December 31,		2017		2016
Income (loss) before income taxes		**276,417**		185,907
Income tax expense calculated at the domestic rates applicable to profits in the country concerned		**62,273**		52,886
Increase (decrease) resulting from				
Foreign tax exempt income		**(7,503)**		(2,158)
Loss on business combination		**15,324**		—
Current-year losses for which no deferred tax asset is recognized		**690**		807
Changes in tax rates		**(15,301)**		—
Other		**(4,305)**		2,849
Income taxes	**$**	**51,178**	$	54,384

16. Financial Instruments

As at		December 31, 2017		December 31, 2016
Financial assets (a):				
Foreign exchange contracts	**$**	**1,035**	$	236
Interest rate swaps		**900**		213
Total financial assets		**1,935**		449
Financial liabilities (b):				
Interest rate swaps		**12,427**		14,413
Forward contracts		**1,075**		651
Foreign exchange contracts		**2,267**		13
Total financial liabilities	**$**	**15,769**	$	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 Australia REIT term loans (see note 12). 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 Australia REIT 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 Australia REIT (see note 9).

(in thousands of Canadian dollars)

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

For the year ended December 31,		2017		2016
Fair value adjustment - interest rate swaps	$	**2,319**	$	3,721
Receipts/(payments) under transaction hedging foreign exchange contracts		**(133)**		1,227
Put/Call		**—**		(5,037)
Fair value adjustment -foreign exchange contracts		**35**		—
Fair value adjustment - forward contracts		**133**		(651)
Fair value adjustment - financial asset		**525**		(125)
Performance fee receivable (note 5)		**1,473**		(1,080)
	$	**4,352**	$	(1,945)

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.

Deferred unit plan liabilities of ANZ Manager are related to deferred units of Vital Trust.

(a) Liability:

As at		December 31, 2017		December 31, 2016
Balance, beginning of period	$	**14,935**	$	15,597
Unit based compensation expense		**4,791**		2,123
Exercised and paid in cash		**(2,371)**		(1,550)
Exercised and settled in Trust Units		**(1,035)**		(2,953)
Fair value adjustment		**1,793**		1,717
FX adjustment		**(104)**		1
Balance, end of period	$	**18,009**	$	14,935

The balance of the DUP liability at December 31, 2017 consists of $16,112 related to the REIT's DUP and $1,880 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.

(in thousands of Canadian dollars)

(b) Units outstanding:

As at December 31, 2017	REIT	Vital Trust
Balance, beginning January 1, 2017	**1,814,558**	**1,670,650**
Granted	**164,749**	**727,729**
Exercised and paid in cash	**(76,525)**	**(646,702)**
Exercised and paid in REIT units	**(95,264)**	**—**
Forfeited	**(16,415)**	**—**
Distribution entitlement	**145,326**	**67,337**
Balance, as at December 31, 2017	**1,936,429**	**1,819,014**
Units vested but not exercised	**1,041,290**	**391,893**

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 year ended December 31, 2017, the REIT granted or issued 164,749 DUP units with a value of $1,767 (for the year ended December 31, 2016 - 177,643 DUP units with a fair value of $1,736).

For the year ended December 31, 2017, Vital Trust granted or issued 727,729 DUP units with a value of $1,485 (for the year ended December 31, 2016 - 664,218 DUP units with a fair value of $1,253).

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 December 31, 2017, there were 18,998,065 Class B exchangeable units (December 31, 2016 - 18,998,065) of Northwest International Healthcare Properties LP ("NWI LP") issued and outstanding with a fair value of $216,008 (December 31, 2016 - $193,780).

Distributions declared on the Class B exchangeable units of NWI LP totaled $15,199 for the year ended December 31, 2017 (for the year ended December 31, 2016 - $15,199) 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	—	22,228
Balance, December 31, 2017	**18,998,065**	**$ 216,008**

(in thousands of Canadian dollars)

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.

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)	612,236	6,363
Conversion of convertible debentures (note 14)	37,719	444
Units issued under deferred unit plan (note 17)	95,264	1,035
Units issued pursuant to equity offering (iii)	30,856,800	327,865
Units issuances costs (iii)	—	(15,381)
Balance, December 31, 2017	**101,039,187**	**$ 924,918**

(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.

(in thousands of Canadian dollars)

(iii) 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. Issue costs of $6,594 were recognized in relation to this equity issuance.

On April 6, 2017, the REIT completed a public offering of 9,179,300 REIT units at a price of $10.65 per unit, including 1,197,300 units issued pursuant the exercise in full of an over-allotment option 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.

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) Cash and Restricted Cash

As at		**December 31, 2017**		December 31, 2016
Cash	**$**	**71,704**	$	19,955
Restricted Cash		**363**		296
	$	**72,067**	$	20,251

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil long-term financings (note 12).

(ii) Changes in Non-Cash Working Capital Balances

For the year ended December 31,	**2017**	2016
Accounts receivable	**(9,242)**	(3,985)
Other assets	**(2,025)**	2,013
Accounts payable and accrued liabilities	**(4,891)**	(4,543)
	(16,158)	(6,515)

(iii) Non-Cash Financing and Investing Activities

(in thousands of Canadian dollars)

For the year ended December 31,	**2017**	2016
Non cash distributions to Unitholders under the DRIP (note 19)	**6,363**	4,847
Non-cash investment in subsidiary	**—**	5,788
Units issued under deferred unit plan (note 17)	**1,035**	2,953
Non-cash consideration received from sale of investment property	**—**	1,725
Non-cash conversion of convertible debentures	**444**	—

(iv) Reconciliation of Cash and Non-Cash Financing Activities:

As at December 31, 2017,	**Mortgages and loans payable**	**Deferred Consideration**	**Convertible Debentures**	**Class B exchangeable units**	**Total**
Balance, beginning of period	1,365,676	13,119	331,834	193,780	**1,904,409**
Cash financing activities:					
Mortgage and loan proceeds	426,072	—	—	—	**426,072**
Mortgage and loan discharged	(99,563)	—	—	—	**(99,563)**
Repayment of mortgages	(20,225)	—	—	—	**(20,225)**
Net advances (repayments) of loans payable	280,984	—	—	—	**280,984**
Payment of deferred consideration	—	(12,836)	—	—	**(12,836)**
Issuance on convertible debentures	—	—	—	—	**—**
Redemption of convertible debentures	—	—	(39,836)	—	**(39,836)**
Financing fees paid	(15,173)	—	—	—	**(15,173)**
Total cash financing activities	**572,095**	**(12,836)**	**(39,836)**	**—**	**519,423**
Non-cash financing activities:					
Amortization of financing costs	7,446	—	—	—	**7,446**
Amortization of mark-to-market adjustment	(3,165)	—	—	—	**(3,165)**
Accretion of financial liabilities	3,667	—	—	—	**3,667**
Mark-to-market adjustment	—	—	—	—	**—**
Mortgages assumed	253,569	—	—	—	**253,569**
Liabilities related to Assets Held for Sale	(57,785)	—	—	—	**(57,785)**
Conversion to Unitholders' Equity	—	—	(444)	—	**(444)**
Fair value adjustment of Class B exchangeable units	—	—	—	22,228	**22,228**
Fair value adjustment of convertible debentures (note 18)	—	—	5,303	—	**5,303**
Other adjustments	209	—	—	—	**209**
Foreign exchange translation	(16,943)	(245)	—	—	**(17,188)**
Total non-cash financing activities	**186,998**	**(245)**	**4,859**	**22,228**	**213,840**
Balance, end of period	**2,124,769**	**38**	**296,857**	**216,008**	**2,637,672**

(in thousands of Canadian dollars)

21. Related Party Transactions

(a) As at December 31, 2017, NWVP indirectly owned approximately 22.0% of the outstanding REIT units (approximately 18.3% 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 December 31, 2017, these non-interest bearing amounts combined included in accounts payable and other liabilities are a net asset of $60 (December 31, 2016 - net asset of $315 included under accounts receivable)

(c) At December 31, 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:

For the year ended December 31,		**2017**		2016
Reimbursement for out-of-pocket costs	**$**	**964**	$	430
Cost-sharing and sublease agreements		**139**		696
	$	**1,103**	$	1,126

(e) Key Management Compensation

For the year ended December 31,		**2017**		2016
Short-term compensation	**$**	**4,169**	$	3,896
Unit-based long-term incentives (1)		**2,258**		2,708
	$	**6,427**	$	6,604

(1) Deferred units granted vest up to five years, depending on the grant. Of the total deferred units, 50% vest in three years and 25% in the fourth and fifth years. Amounts are determined based on the grant date fair value of deferred units multiplied by the number of deferred units granted in the year.

Key management personnel of the REIT throughout the period include the Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officers, Executive Vice President and General Counsel, Managing Director - Germany, Managing Director - Brazil, Chief Executive Officer - Vital, Executive Director - Australia REIT, and Chief Executive Officer - Australia REIT .

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

(in thousands of Canadian dollars)

(g) The consolidated financial statements include the accounts of the REIT and all its subsidiaries.

Significant subsidiaries of the REIT are listed below:

Name of Subsidiary	Place of Operation	Holding December 31, 2017	Holding December 31, 2016
NHP Holdings Limited Partnership	Canada	100.0%	100.0%
Healthcare Properties LP	Canada	100.0%	100.0%
NorthWest Healthcare Properties Corporation	Canada	100.0%	100.0%
NWI Healthcare Properties LP	Canada	100.0%	100.0%
NWI Gesundheitsimmobilien GmbH & Co KG	Germany	100.0%	100.0%
NWI Management GmbH	Germany	100.0%	100.0%
NWI Healthcare Properties LLC	USA	100.0%	100.0%
Northwest International Investmentos Imobiliar SA	Brazil	100.0%	100.0%
Northwest International II Investimentos Imobiliar SA	Brazil	100.0%	100.0%
Fundo De Investimenttno Imobiliário NorthWest Investmentos Fund I Imobiliários Em Saúde	Brazil	100.0%	100.0%
NorthWest Investmentos Em Saúde Fund I Fundo de Investimento Multimercado	Brazil	100.0%	100.0%
Vital Healthcare Property Trust	New Zealand	24.9%	24.8%
NWI NZ Management Company Limited	New Zealand	100.0%	100.0%
Vital Healthcare Management Ltd.	Australia	100.0%	100.0%
Generation Healthcare Management Pty Ltd.	Australia	100.0%	100.0%
Northwest Healthcare Australia RE Ltd.	Australia	100.0%	—
Northwest Healthcare Australia Asset Trust	Australia	100.0%	—
NorthWest Healthcare Properties Australia REIT	Australia	100.0%	19.8%
Divine Logistics Trust	Australia	43.2%	—

22. Employee Benefits Expense

Year ended December 31,	2017	2016
Short-term employee benefits	**$ 25,742**	$ 21,480
Unit-based compensation expense	**4,791**	2,359
	$ 30,533	$ 23,839

Short-term employee benefits include salaries, bonuses, commissions and other short-term benefits.

For the year ended December 31, 2017, total short-term employee benefits of $10,591 (December 31, 2016 – $10,801) are included in 'Property operating costs' and $11,483 (December 31, 2016 – $7,849) are included in 'General and administrative expenses'. During the year ended December 31, 2017, the REIT capitalized $3,668 of employee benefits to investment properties (December 31, 2016 - $2,626).

(in thousands of Canadian dollars)

23. 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 year ended December 31, 2017, two tenants in Brazil accounted for 17% (for the year ended December 31, 2016 - 13%), and one tenant in Australasia operating segment accounted for 13% (for the year ended December 31, 2016 - 12%) of the total revenue from investment properties.

As at December 31, 2017	**Germany**	**Brazil**	**Australasia**	**Canada**	**Total**
Investment properties	**$ 267,677**	**$ 676,403**	**$ 2,152,748**	**$ 1,047,961**	**$4,144,789**
Mortgages and loans payable	**$ 136,150**	**$ 210,405**	**$ 902,750**	**$ 875,464**	**$2,124,769**

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

For the year ended December 31, 2017	**Germany**	**Brazil**	**Australasia**	**Canada**	**Total**
Operating Income (Loss)					
Revenue from investment properties	**$ 18,808**	**$ 52,340**	**$ 106,178**	**$ 136,640**	**$ 313,966**
Property operating costs	**5,396**	**—**	**14,386**	**62,125**	**81,907**
Net property operating income	**13,412**	**52,340**	**91,792**	**74,515**	**232,059**
Other income					
Interest	**2**	**1,987**	**2,355**	**206**	**4,550**
Management fee	**—**	**—**	**7,723**	**—**	**7,723**
Share of profit of associate	**—**	**—**	**43,681**	**—**	**43,681**
	2	**1,987**	**53,759**	**206**	**55,954**
Mortgage and loan interest expense	**2,420**	**13,023**	**21,358**	**64,970**	**101,771**
General and administrative expenses	**2,730**	**2,208**	**10,609**	**9,578**	**25,125**
Transaction Costs	**83**	**—**	**10,604**	**2,604**	**13,291**
Foreign exchange (gain) loss	**10**	**(2,849)**	**(1,194)**	**(3,379)**	**(7,412)**
	5,243	**12,382**	**41,377**	**73,773**	**132,775**
Operating income (loss)	**$ 8,171**	**$ 41,945**	**$ 104,174**	**$ 948**	**$ 155,238**

(in thousands of Canadian dollars)

For the year ended December 31, 2016	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	$ 15,245	$ 37,063	$ 86,490	$ 138,548	$ 277,346
Property operating costs	4,136	—	8,307	62,306	74,749
Net property operating income	11,109	37,063	78,183	76,242	202,597
Other income					
Interest	—	2,589	142	121	2,852
Management fee	—	—	2,102	—	2,102
Share of profit of associate		—	8,679	—	8,679
	—	2,589	10,923	121	13,633
Mortgage and loan interest expense	1,855	10,254	13,258	50,484	75,851
General and administrative expenses	2,884	2,133	7,770	6,985	19,772
Transaction Costs	—	—	290	3,816	4,106
Foreign exchange (gain) loss	(2)	560	1,225	(318)	1,465
	4,737	12,947	22,543	60,967	101,194
Operating income (loss)	$ 6,372	$ 26,705	$ 66,563	$ 15,396	$ 115,036

24. 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 24.9% investment in Vital Trust.

On July 17, 2017, the REIT completed the acquisition of 100% ownership interest in Australia REIT (see note 4). Consequently, the REIT assumed Australia REIT'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 December 31, 2017	Vital Trust	Divine	Total
Total assets	$ 1,503,041	$ 173,148	$ 1,676,189
Total liabilities	651,668	44,403	696,071
Net assets	$ 851,373	$ 128,745	$ 980,118
Attributable to:			
Unitholders of the REIT	199,668	73,195	272,863
Non-controlling interest	651,705	55,550	707,255
	$ 851,373	$ 128,745	$ 980,118

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:			
Unitholders of the REIT	179,069	—	179,069
Non-controlling interest	485,505	—	485,505
	$ 485,505	n/a	$ 664,574

(in thousands of Canadian dollars)

	Year ended December 31, 2017			Year ended December 31, 2016		
	Vital Trust	**Divine**	**Total**	Vital Trust	Divine	Total
Revenue from investment properties	**$ 84,863**	**$ 3,828**	**$ 88,691**	$ 86,490	n/a	$ 86,490
Net income attributable to:						
Non-controlling interest	**$ 158,029**	**$ (177)**	**$ 157,852**	$ 72,168	$ —	$ 72,168
Unitholders of the REIT	**47,585**	**(234)**	**47,351**	22,310	—	22,310
Net income	**$ 205,614**	**$ (411)**	**$ 205,203**	$ 94,478	n/a	$ 94,478
Total comprehensive income attributable to:						
Non-controlling interest	**$ 179,909**	**$ (1,058)**	**$ 178,851**	$ 68,993	$ —	$ 68,993
Unitholders of the REIT	**54,673**	**(1,401)**	**53,272**	21,158	—	21,158
Total comprehensive income	**$ 234,582**	**$ (2,459)**	**$ 232,123**	$ 90,151	n/a	$ 90,151
Distributions attributable to non-controlling interest	**$ 25,557**	**$ 1,335**	**$ 26,892**	$ 22,869	n/a	$ 22,869

	Year ended December 31, 2017			Year ended December 31, 2016		
	Vital Trust	**Divine**	**Total**	Vital Trust	Divine	Total
Cash flow activities:						
Operating	**$ 28,785**	**$ 3,951**	**$ 32,736**	$ 45,027	$ —	$ 45,027
Investing	**(312,496)**	**(43,214)**	**$ (355,710)**	(154,827)	—	(154,827)
Financing	**293,406**	**38,842**	**$ 332,248**	104,717	—	104,717
Effect of foreign currency translation	**(3,681)**	**(2)**	**$ (3,683)**	5,831	—	5,831
Net change in cash	**$ 6,014**	**$ (423)**	**$ 5,591**	$ 748	n/a	$ 748

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 24.9% and 56.9%, respectively.

25. Commitments and Contingent Liabilities

(a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of $1,101 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 December 31, 2017, the REIT has a total of $929 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 $11,168 as at December 31, 2017.

(d) The REIT has entered into acquisitions and construction agreements on development properties and is committed to costs of $164,691 as at December 31, 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.

26. 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 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 December 31, 2017 is as follows:

		Fair Value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	$ **4,144,789**	$ **—**	$ **—**	$ **4,144,789**
Financial instruments	**1,935**	**—**	**1,935**	**—**
Assets held for sale	**168,500**	**—**	**—**	**168,500**
Liabilities measured at fair value:				
Financial instruments	**15,769**	**—**	**15,769**	**—**
Convertible debentures	**296,857**	**296,857**	**—**	**—**
Class B LP exchangeable units	**216,008**	**216,008**	**—**	**—**
Deferred unit plan liability	**18,009**	**18,009**	**—**	**—**
Financial Liabilities recorded at amortized cost:				
Mortgage and loans payable	**2,124,769**	**—**	**2,135,715**	**—**
Liabilities related to assets held for sale	**57,785**	**—**	**57,209**	**—**

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 Liabilities recorded at amortized cost:				
Mortgage and loans payable	1,365,676	—	1,385,023	—

27. 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 December 31, 2017, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 46.8% (December 31, 2016 - 41.5%) and 53.1% (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	December 31, 2017	December 31, 2016
Debt		
Gross value of debt excluding convertible debentures [1]	**$ 2,190,179**	$ 1,382,784
Gross value of total debt [2]	**2,487,036**	1,714,618
Gross Book Value of Assets		
Total assets	**$ 4,684,028**	$ 3,328,533
Debt-to-Gross Book Value (Declaration of Trust)	**46.8%**	41.5 %
Debt-to-Gross Book Value (including convertible debentures)	**53.1%**	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 facility, 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 December 31, 2017, the REIT is in compliance with all such financial covenants.

28. Risk Management

The REIT's activities expose it to a variety of financial risks, including interest rate risk, credit risk, currency risk, price risk and liquidity risk. The REIT's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments resulting in the REIT incurring a financial loss. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The REIT's credit risk is primarily attributable to cash and accounts receivable. Cash consists of cash on hand with reputable financial institutions which are closely monitored by management. Financial instruments included in accounts receivable consist of rental income receivable from its commercial tenant base for monthly rental charges and interest receivable from the term deposit. Management believes that the potential loss from credit risk with respect to financial instruments included in cash and accounts receivable is minimal.

(in thousands of Canadian dollars)

The following is an aging analysis of accounts receivable past due, net of allowance for doubtful accounts as well as balances due from related parties as at December 31, 2017:

	Account Receivable	Due from Related Parties	Total
Less than 30 days	2,295	—	2,295
31 to 60 Days	783	—	783
61-90 days	16	—	16
More than 90 Days	1,304	—	1,304
Total billed	$ 4,398	$ —	$ 4,398
Unbilled	3,862	—	3,862
	$ 8,260	$ —	$ 8,260

Liquidity Risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favourable terms.

The REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations, distribution income earned from the REIT's investments in associates, and new financing. Debt repayment obligations are generally funded from refinancing the related debt and property acquisitions are generally funded from the issuance of equity as well as obtaining debt financing on the related property.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT expects to refinance all debt maturing when due. The REIT is currently reviewing all options available to refinance the debt. These options include but are not limited to refinancing with existing lenders or with new lenders, issuing unsecured debt securities and/or additional trust units, or the securitization of rents. There are no assurances that the timing, amounts and terms of any refinancing, or other efforts will be favourable or satisfactory to the REIT's liquidity.

(in thousands of Canadian dollars)

The following table sets out the REIT's contractual cash flows which includes fixed interest rate payments on its mortgages and loans payable and convertible debentures:

	Carrying Amount	Contractual Cash Flows	2018	2019	2020	2021	2022	Thereafter
Accounts payable and accrued liabilities	$ 59,044	$ 59,044	$ 59,044	$ —	$ —	$ —	$ —	$ —
Income tax payable	9,759	9,759	9,759	—	—	—	—	—
Distributions payable	6,736	6,736	6,736	—	—	—	—	—
Liabilities related to AHFS	57,785	57,785	57,785	—	—	—	—	—
Mortgages and loans payable	2,124,769	2,295,345	449,728	509,723	465,494	174,327	404,626	291,447
Deferred consideration	38	38	38	—	—	—	—	—
Convertible debentures	296,857	338,399	14,017	54,729	106,253	163,400	—	—
	$2,554,988	$ 2,767,106	$ 597,107	$ 564,452	$ 571,747	$ 337,727	$ 404,626	$ 291,447

Interest Rate Risk

The majority of the REIT's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At December 31, 2017, $896,935 (December 31, 2016 - $248,410) of the REIT's debt associated with investment properties is financed at variable rates exposing the REIT to interest rate risk on such debt. Sensitivity to a plus 1% change in the interest rate would impact the net income (loss) and comprehensive income (loss) by $8,969 annually with all other variables held constant (December 31, 2016 - $2,484).

Currency Risk

The REIT has exposure to currency risk as a result of Australasian Secured Financing (see note 16) denominated in Australian and New Zealand dollars. The REIT’s margin facility balance and related interest are subject to fluctuations depending on exchange rates. The effects of such fluctuations are recognized in the statement of income and comprehensive income.

The REIT has operating subsidiaries in Germany, Brazil, Australia and New Zealand, and as a result has exposure to currency risk. There is significant exposure to foreign exchange translation risk on the consolidation of the REIT's foreign subsidiaries.

Assets and liabilities of the REIT's foreign subsidiaries are translated at the period end exchange rate, and therefore have different values depending on exchange rate fluctuations and the effects of such fluctuations are recognized in other comprehensive income (loss). The statements of income and comprehensive income of the foreign subsidiaries are translated into Canadian dollars using the period's average exchange rate and, accordingly, exchange rate fluctuations impact revenue, net income (loss) and comprehensive income (loss), denominated in Canadian dollars.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis.

(in thousands of Canadian dollars)

The following table summarizes the effect of a 10% strengthening of the Canadian dollar on the REIT's net income/loss as a result of translating the statements of income (loss) and comprehensive income (loss) of foreign subsidiaries, assuming all other variables remain unchanged:

For the year ended December 31,	2017	2016
Germany	(864)	(1,527)
Brazil	(9,965)	(5,828)
New Zealand	(24,499)	(10,167)
Australia	4,539	(855)
	(30,789)	(18,377)

A 10% weakening of the Canadian Dollar would have an equal but opposite effect on the above currencies to the amounts shown above, assuming all other variables remain unchanged.

Price Risk

Price risk is the risk that changes in market prices for the REIT's securities may impact the REIT's ability to access capital, and that changes in the market prices of the units underlying the REIT's investments in associates may impact the value of its investments and may also impact the amount available under related Australasian Secured Financing. The market price for the REIT's trust units, the REIT's convertible debentures, and the units of Vital Trust, may be volatile and subject to wide fluctuations in response to numerous factors, many of which may be beyond the REIT's control including general market sentiment. The market price of the REIT's securities and investments may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. A decrease in the REIT's Trust Unit price impacts the cost of raising new capital. A decline in the market price of the units of Vital Trust may impact the value of the REIT's investments which may result in impairment losses, and may require the REIT to repay amounts owing under its related Australasian Secured Financing.

29. Subsequent Events

(i) On January 15, 2018, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on January 31, 2018, paid February 15, 2018. On February 15, 2018, the REIT declared a distribution of $0.06667 per REIT unit to unitholders of record on February 28, 2018, payable March 15, 2018.

(ii) The REIT completed property acquisitions of two German healthcare investment properties on January 31, 2018 and February 26, 2018 for combined purchase price of $39,973. The property acquisitions were partially financed by existing and new property specific mortgages of $28,459, bearing weighted average interest rate of 2.49% and with weighted average term to maturity of approximately 8 years.

(iii) On March 2, 2018, the REIT completed the sale of a Canadian investment property classified as asset held for sale, for gross proceeds of approximately $167,000, subject to customary closing conditions. The REIT settled a mortgage related to the property of $57,785 bearing interest rate of 5.11% and repaid $75,000 of its revolving secured credit facility.

(iv) On March 2, 2018 the REIT amended the terms of its revolving secured credit facility to increase the allowable borrowings by $22,000 by securing charges on four additional Canadian investment properties and removing a charge against the Canadian investment property that was sold. The proceeds from the sale of Canadian investment property were partially used to repay existing mortgages on the properties added to the security pool of the revolving credit facility of $32,203, with weighted average interest rate of 4.12%. All mortgages repaid had terms maturing in 2018. Concurrently, the REIT extended the maturity date of the additional tranches of $75,000 and $50,000 to its revolving credit facility, originally maturing on March 20, 2018 to June 20, 2018.