NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (IN CANADIAN DOLLARS)

FOR THE THREE MONTHS ENDING MARCH 31, 2018

(UNAUDITED)

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

As at	Note		March 31, 2018		December 31, 2017
Assets					
Investment properties	5	$	4,392,900	$	4,144,789
Intangible assets	6		47,307		47,301
Goodwill			135,568		134,630
Financial instruments	10		6,179		1,935
Accounts receivable			15,520		8,260
Other assets	7		112,655		106,546
Cash and restricted cash	15		48,469		72,067
Assets held for sale	4		—		168,500
Total assets		$	4,758,598	$	4,684,028
Liabilities					
Mortgages and loans payable	8	$	2,213,702	$	2,124,769
Convertible debentures	9		293,911		296,857
Deferred unit plan liability	11		16,603		18,009
Class B exchangeable units	12		199,570		216,008
Deferred tax liability			238,450		224,329
Financial instruments	10		14,548		15,769
Income tax payable			10,025		9,759
Accounts payable and accrued liabilities			61,689		59,082
Distributions payable			6,840		6,736
Liabilities related to assets held for sale	4		—		57,785
Total liabilities		$	3,055,338	$	3,029,103
Unitholders' Equity					
Unitholders' equity	14		1,002,500		947,670
Non-controlling interest	18		700,760		707,255
Total liabilities and unitholders' equity		$	4,758,598	$	4,684,028

The consolidated financial statements were approved by the Board on May 15, 2018 and signed on its behalf by:
"Colin Loudon" Trustee
"Paul Dalla Lana" Trustee

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

For the three months ended March 31,	Note		2018		2017
Net Property Operating Income					
Revenue from investment properties	13	$	88,248	$	72,464
Property operating costs			22,071		19,570
			66,177		52,894
Other Income					
Interest			3,624		397
Management fees			446		863
Share of profit of associates			—		5,411
			4,070		6,671
Expenses					
Mortgage and loan interest expense			31,234		20,339
General and administrative expenses			5,935		5,491
Transaction costs			402		88
Foreign exchange (income) loss			1,123		(3,989)
			38,694		21,929
Income before other finance costs, fair value adjustments, and net loss on disposal of investment property			31,553		37,636
Finance Costs					
Amortization of financing costs			(2,860)		(899)
Amortization of mark-to-market adjustment			616		766
Class B exchangeable unit distributions	12		(3,542)		(3,800)
Fair value adjustment of Class B exchangeable units	12		1,564		(6,649)
Accretion of financial liabilities	8		(13,340)		(1,539)
Fair value adjustment of convertible debentures	9		2,889		(6,568)
Fair value gain (loss) on financial instrument	10		1,148		(878)
Fair value adjustment of investment properties	5		8,036		72,490
Net loss on disposal of investment properties	4		(1,771)		—
Fair value adjustment of deferred unit plan liability	11		149		(423)
Income (loss) before taxes			24,442		90,136
Income tax expense			9,979		15,602
Net income (loss)		$	14,463	$	74,534
Net income (loss) attributable to:					
Unitholders		$	958	$	49,799
Non-controlling interest			13,505		24,735
		$	14,463	$	74,534

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

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

For the three months ended March 31,	Note		2018		2017
Net Income (loss)		$	**14,463**	$	74,534
Other comprehensive income ("OCI") (loss):					
Items that will be reclassified subsequently to income:					
Foreign currency translation adjustment		$	**36,551**	$	46,813
Realised foreign exchange gains/(losses) on hedges			**(167)**		(411)
Current taxation (expense)/credit			**191**		115
Unrealised foreign exchange gains/(losses) on hedges			**—**		(2,694)
Deferred taxation (expense)/credit			**(1,274)**		754
Fair value gain (loss) on net investment hedges			**7,548**		(4,600)
Deferred taxation (expense)/credit			**(839)**		1,288
Other comprehensive income (loss), net of tax			**42,010**		41,265
Total comprehensive income (loss) for the period		$	**56,473**	$	115,799
Total comprehensive income (loss) attributable to:					
Unitholders		$	**57,604**	$	76,644
Non-controlling interest			**(1,131)**		39,155
		$	**56,473**	$	115,799

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

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

	Note	Unitholders' Equity	Contributed Surplus	Reduction on Reclassification to Liabilities	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2016		**$ 604,592**	**$ 39,839**	**$ (115)**	**$ (110,857)**	**$ 27,915**	**$ 142,911**	**$ 704,285**	**$ 485,505**	**$ 1,189,790**
Public offering of units		82,127	—	—	—	—	—	82,127	—	82,127
Units issued through distribution reinvestment plan		1,374	—	—	—	—	—	1,374	1,376	2,750
Units issued on exercise of deferred units		218	—	—	—	—	—	218	—	218
Distributions		—	—	—	(15,619)	—	—	(15,619)	(6,473)	(22,092)
Currency translation differences		—	—	—	—	28,221	—	28,221	18,592	46,813
Other comprehensive income (loss)		—	—	—	—	(1,376)	—	(1,376)	(4,172)	(5,548)
Net income (loss) for the period		—	—	—	—	—	49,799	49,799	24,735	74,534
Balance, March 31, 2017		$ 688,311	$ 39,839	$ (115)	$ (126,476)	$ 54,760	$ 192,710	$ 849,029	$ 519,563	$ 1,368,592
Public offering of units		230,357	—	—	—	—	—	230,357	6,093	236,450
Units issued through distribution reinvestment plan		4,989	—	—	—	—	—	4,989	4,381	9,370
Units issued on exercise of deferred units		817	—	—	—	—	—	817	—	817
Conversion of convertible debenture		444	—	—	—	—	—	444	—	444
Acquisition of control of subsidiary		—	—	—	—	—	—	—	57,942	57,942
Distributions		—	—	—	(55,204)	—	—	(55,204)	(20,419)	(75,623)
Currency translation differences		—	—	—	—	(100,770)	—	(100,770)	5,299	(95,471)
Other comprehensive income (loss)		—	—	—	—	420	—	420	1,279	1,699
Net income (loss) for the period		—	—	—	—	—	17,588	17,588	133,117	150,705
Balance, December 31, 2017		$ 924,918	$ 39,839	$ (115)	$ (181,680)	$ (45,590)	$ 210,298	$ 947,670	$ 707,255	$ 1,654,925
Units issued through distribution reinvestment plan		1,934	—	—	—	—	—	1,934	1,402	3,336
Units issued on exercise of deferred units	**14**	858	—	—	—	—	—	858	—	858
Conversion of Class B LP exchangeable units	**12**	14,874	—	—	—	—	—	14,874	—	14,874
Conversion of convertible debenture	**14**	57	—	—	—	—	—	57	—	57
Acquisition of control of subsidiary		—	—	—	—	—	—	—	462	462
Distributions		—	—	—	(20,496)	—	—	(20,496)	(7,228)	(27,724)
Foreign currency translation differences		—	—	—	—	55,287	—	55,287	(18,736)	36,551
Other comprehensive income (loss)		—	—	—	—	1,358	—	1,358	4,100	5,458
Net income (loss) for the period		—	—	—	—	—	958	958	13,505	14,463
Balance, March 31, 2018		$ 942,641	$ 39,839	$ (115)	$ (202,176)	$ 11,055	$ 211,256	$ 1,002,500	$ 700,760	$ 1,703,260

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

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

For the three months ended March 31,	Note	2018	2017
Cash provided by (used in):			
Operating activities			
Net income before taxes		$ 24,442	$ 90,136
Adjustment for:			
Amortization		(29)	382
Mortgage and loan interest		31,234	20,339
Mortgage and loans interest paid		(28,376)	(19,012)
Finance costs			
Amortization of financing costs		2,860	899
Amortization of mark-to-market adjustment		(616)	(766)
Class B exchangeable unit distributions	12	3,542	3,800
Fair value adjustment of Class B exchangeable units	12	(1,564)	6,649
Accretion of financial liabilities	8	13,340	1,539
Fair value adjustment of convertible debentures	9	(2,889)	6,568
Interest Income		(1,800)	—
Share of profit of associate		—	(5,411)
Unrealized foreign exchange (gain)/loss		1,136	(3,979)
Amortization of deferred revenue		—	(307)
Amortization of finance leases receivable/payable		(80)	—
Fair value adjustment of investment properties	5	(8,036)	(72,490)
Fair value (gain)/loss on financial instruments	10	(1,004)	878
Net loss on disposal of investment properties	4	1,771	—
Fair value adjustment of deferred unit plan liability		(149)	423
Unit-based compensation expense	11	685	1,189
Redemption of units issued under deferred unit plan		(1,145)	(212)
Income taxes paid		(2,823)	(1,277)
Changes in non-cash working capital balances	15	(9,028)	(4,395)
Cash provided by (used in) operating activities		21,471	24,953
Investing activities			
Acquisitions of investment properties	3	(129,821)	(68,184)
Additions to investment properties	5	(16,937)	(19,267)
Net proceeds on disposal of investment property	4	162,474	—
Additions to investment in associate		—	(13,376)
Investment in financial assets	10	(1,082)	—
Cash interest received		1,114	—
Distributions from associates		—	2,091
Additions to furnitures and fixtures		(110)	(105)
Receipts (payments) from foreign exchange contracts		18	(376)
Net decrease (increase) to restricted cash		(58)	—
Cash provided by (used in) investing activities		15,598	(99,217)
Financing activities			
Mortgage and loan proceeds		144,936	5,684
Mortgage and loans discharged	8	(86,780)	—
Repayment of mortgages		(5,511)	(5,122)
Net advances (repayments) of loans payable		(61,348)	55,851
Proceeds from issue of units, net of issue costs	14	—	82,127
Financing fees paid		(1,463)	(1,112)
Net (payments) advances from related parties		(457)	—
Settlement of securitization		(19,625)	—
Distributions paid		(18,466)	(13,615)
Class B exchangeable units distributions paid	12	(3,542)	(3,800)
Distributions paid to non-controlling interest		(5,827)	(5,097)
Cash provided by (used in) financing activities		(58,083)	114,916
Net change in cash		(21,014)	40,652
Effect of foreign currency translation		(2,591)	469
Net change in cash		(23,605)	41,121
Cash, beginning of period		71,704	19,955
Cash, end of period		$ 48,099	$ 61,076

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

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

1. Basis of Preparation

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting. Certain information and note disclosure normally included in the annual consolidated financial statements based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS") have been omitted. The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with the REIT's audited consolidated financial statements for the year ended December 31, 2017.

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

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

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of the REIT for the year ended December 31, 2017 with the exception of the accounting standards implemented in 2018. Changes to significant accounting policies are described below.

Accounting Standards implemented in 2018

(i) IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”)

IFRS 15, Revenue from Contracts with Customers, is effective for annual periods beginning on or after January 1, 2018, replacing all existing guidance in IFRS related to revenue, including (but not limited to) IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 15 Agreements for the Construction of Real Estate.

IFRS 15 contains a single, control-based model that applies to contracts with customers and provides two approaches to recognizing 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. IFRS 15 also includes additional disclosure requirements for revenue accounted for under the standard.

Revenue from lease components includes base rent, recoveries of property tax and property insurance, and revenue recognition remains consistent with the accounting policies outlined in the most recent audited annual consolidated financial statements.

Revenue related to the services component of the REIT’s leases are accounted for in accordance with IFRS 15. These services consist primarily of operating cost recoveries for which the revenue is recognized over time, typically as the costs are incurred, which is when the services are provided.

The REIT adopted IFRS 15 beginning on January 1, 2018, using the retrospective method, which means that the REIT applied the standard retrospectively with cumulative effects of initial application recorded in opening retained earnings as at January 1, 2017 and restatement of the comparative period. The adoption of IFRS 15 did not have an impact on the timing of recognition or measurement of revenue and was limited to additional disclosure on the disaggregation of the REIT’s various revenue streams.

(ii) IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued IFRS 9 replacing IAS 39, *Financial Instruments - Recognition and Measurement*. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The REIT implemented the new requirements for classification and measurement, impairment and general hedging on January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively with no restatement of comparative periods. The REIT also applied related amendments to IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7").

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized costs or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

The following table summarizes the classification impacts upon the adoption of IFRS 9:

Assets/Liability	**Classification under IAS 39**	**Classification under IFRS 9**
Cash and restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable (i)	Loans and receivables	Amortized cost
Interest rate swaps	FVTPL	FVTPL
Foreign exchange contracts	FVTPL	FVTPL
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost
Mortgage and loans payable	Amortized cost	Amortized cost
Class B exchangeable units	FVTPL	FVTPL
Convertible debentures	FVTPL	FVTPL
Deferred unit plan liability	FVTPL	FVTPL

(i) Excludes loan receivable relates to the Epping Specialist Medical Centre, which is classified at FVTPL under IFRS 9

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a new 'expected credit loss' ("ECL") impairment model. The new impairment model applies to all financial assets measured at amortized cost, contract assets and debt investments measured at FVTOCI, except for investments in equity instruments.

The ECL model requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The ECL models applied did not have a material impact on account receivables and notes receivable of the REIT.

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.

(iii) Amendments to IFRS 2 *Share-based payment ("IFRS 2")*

The REIT adopted amendments to IFRS 2, beginning on January 1, 2018, the mandatory effective date. There was no material impact from the adoption of the amendments to IFRS 2.

(in thousands of Canadian dollars)

3. Property Acquisitions

(a) 2018 Property Acquisitions

Property	Location	Property type	Acquisition date	Total acquisition costs (1)	Property specific debt
Fritz-Lang-Platz 6 (2)	Berlin, Germany	Medical Office Building	January 31, 2018	$ 22,175	$ 14,527
Clinic Bismarkstrasse 68	Bad Kissingen, Germany	Hospital and Healthcare Facilities	February 22, 2018	22,134	14,508
Clinic Bremer Strasse 2	Wilhemshaven, Germany	Hospital and Healthcare Facilities	March 15, 2018	34,668	22,720
Epworth Freemasons Private Hospital (remaining 50%)	Melbourne, Australia	Medical Office Building	March 28, 2018	54,948	—
Other (3)	Various			6,744	—
				$ 140,669	$ 51,755

(b) 2017 Property Acquisitions

	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(4)	New South Wales, Australia	Hospital and Healthcare Facilities	February 27, 2017	21,781	—
Grafton Aged Care Facility(4)(5)	New South Wales, Australia	Hospital and Healthcare Facilities	March 31, 2017	9,141	—
Epworth Eastern Hospital(4)	Victoria, Australia	Hospital and Healthcare Facilities	March 31, 2017	19,500	—
Ormiston Hospital(4)	Auckland, New Zealand	Hospital and Healthcare Facilities	April 5, 2017	33,521	—
Hirondelle Private Hospital(4)	New South Wales, Australia	Hospital and Healthcare Facilities	June 1, 2017	25,449	—
The Hills Clinic(4)	New South Wales, Australia	Hospital and Healthcare Facilities	August 1, 2017	31,472	—
Eden Rehab(4)	Queensland, Australia	Hospital and Healthcare Facilities	December 11, 2017	24,599	—
Bowen Hospital(4)	Wellington, New Zealand	Hospital and Healthcare Facilities	December 14, 2017	39,342	—
Wakefield Hospital(4)	Wellington, New Zealand	Hospital and Healthcare Facilities	December 14, 2017	20,986	—
Royston Hospital(4)	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(3)	Various			7,515	—
				$ 333,120	$ 33,038

(1) Total acquisition costs includes transaction costs incurred with respect to acquiring the asset

(2) The acquisition was financed by property level debt totaling $14.5 million (€9.6 million), a contribution from a 5.1% non-controlling interest of $0.3 million (€0.2 million) and cash on hand.

(3) Other acquisitions include land and properties acquired for future developments

(4) 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

(5) Two residential properties adjacent to Grafton Aged Care facility were also acquired for potential future expansion

(in thousands of Canadian dollars)

4. Property Disposal

During the three months ended March 31, 2018, the REIT disposed the following properties:

	Location	Property type	Gross Proceeds	Property specific debt settled
Dundas Edward Centre (1)	Toronto, Ontario	Medical Office Building	$ 167,000	$ 55,000
			$ 167,000	**$ 55,000**

(1) Proceeds excludes disposition costs of $1.8M.

On March 2, 2018, the REIT sold a medical office building located in Canada for gross proceeds of $167.0 million. As part of the transaction, $55.0 million of mortgage debt associated with the investment property was assumed by the purchaser.

5. Investment Properties

As at	March 31, 2018	December 31, 2017
Balance, beginning of period	**$ 4,144,789**	$ 3,040,354
Business combination of Australia REIT	**—**	691,674
Acquisition of investment properties (note 3)	**140,669**	333,120
Additions to investment properties	**20,077**	79,432
Increase in straight line rents	**245**	1,677
Reclassified as assets held for sale (note 4)	**—**	(200,699)
Settlement of securitization	**7,945**	—
Amortization of deferred revenue	**—**	1,229
Fair value gain (loss)	**10,199**	259,524
Foreign currency translation	**68,976**	(61,522)
Balance, end of period	**$ 4,392,900**	$ 4,144,789

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.

The fair values of the investment properties at March 31, 2018 and December 31, 2017 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, market rents, property level capital expenditures, and net operating income.

(in thousands of Canadian dollars)

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

As at March 31, 2018	Canada	Brazil	Germany	Australasia
Discount rate - range	5.3% - 8.5%	8.0%	3.8% - 7.2%	6.1% - 9.5%
Discount rate - weighted average	7.3%	8.0%	5.8%	6.8%
Terminal capitalization rate - range	5.0% - 8.0%	7.5%	4.5% - 6.8%	5.7% - 9.0%
Terminal capitalization rate - weighted average	6.7%	7.5%	5.6%	6.1%
Implied capitalization rate - range	2.9% - 9.3%	7.7%	4.5% - 6.6%	5.1% - 8.2%
Implied capitalization rate - weighted average	6.6%	7.7%	5.7%	5.8%

As at December 31, 2017	Canada	Brazil	Germany	Australasia
Discount rate - range	5.3% - 8.5%	8.0%	5.2% - 6.7%	6.4% - 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%

During the three months ended March 31, 2018, investment properties with an aggregate fair value of $13.3 million (for the three months ended December 31, 2017 - $778.4 million) were valued by external valuation professionals with recognized and relevant professional qualification.

6. Intangible Asset

The REIT's intangible asset relates to the management contracts for Vital Trust, and NWH RE responsible entity rights which has been accounted for as an indefinite life intangible assets.

The REIT has the rights to 100% of the management fees paid by Vital Trust through its acquisition of Vital Manager and related entities.

The following table shows the continuity of the intangible asset during the three months ended March 31, 2018:

As at		**March 31, 2018**		December 31, 2017
Balance, beginning of period	**$**	**47,301**	$	103,196
NWH RE Responsible Entity Rights		**—**		568
Amortization of GHM transition services		**—**		(263)
Business combination of Australia REIT		**—**		(57,723)
Foreign currency translation		**6**		1,523
Balance, end of period	**$**	**47,307**	$	47,301

(in thousands of Canadian dollars)

7. Other Assets

As at		March 31, 2018		December 31, 2017
Acquisition and financing costs (i)	$	**9,370**	$	6,060
Prepaid expenses and deposits		**5,088**		4,790
Furniture and office equipment		**3,475**		3,521
Loans carried at amortized cost		**24,097**		23,328
Loans carried at fair value		**47,229**		45,967
Finance lease receivable (ii)		**22,090**		21,724
Other		**1,306**		1,156
	$	**112,655**	$	106,546

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

ii. Finance lease receivable relates to a long-term lease that is a finance lease, bearing a discount rate of 6.5% and remaining term of 69 years.

8. Mortgages and Loans Payable

As at		March 31, 2018		December 31, 2017
Mortgage payable[1] (i)	$	**744,457**	$	722,866
Australasian secured financing[2] (ii)		**149,270**		143,150
Term loans and securitizations[3] (iv)		**1,179,738**		1,103,353
Acquisition facility[4] (iii)		**7,775**		7,700
Secured floating rate credit facilities[5] (v)		**122,494**		137,899
Finance lease (vi)		**9,968**		9,801
Total	$	**2,213,702**	$	2,124,769
Less: Current portion[6]		**496,940**		414,000
Non-current debt	$	**1,716,762**	$	1,710,769

[1] Net of financing costs of $3.0 million (December 31, 2017 - $2.8 million)
[2] Net of financing costs of $2.5 million (December 31, 2017 - $3.5 million)
[3] Net of financing costs of $15.5 million (December 31, 2017 - $15.5 million)
[4] Net of financing costs of $$0.2 million (December 31, 2017 - $0.3 million)
[5] Net of financing costs of $0.5 million (December 31, 2017 - $0.6 million)
[6] Current portion includes finance lease of $0.4 million (December 31, 2017 - $0.4 million)

(in thousands of Canadian dollars)

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 $1.2 billion at March 31, 2018, and are repayable as follows:

		Scheduled principal payments		Debt maturing during the year		Total mortgages payable
2018 (remainder)	$	15,547	$	127,806	$	143,353
2019		18,324		56,192		74,516
2020		17,042		76,601		93,643
2021		12,488		125,257		137,745
2022		10,320		97,408		107,728
2023 & thereafter		21,908		163,811		185,719
Face value	$	95,629	$	647,075	$	742,704
Mark-to-market adjustment						4,760
Unamortized financing costs						(3,007)
Carrying amount					$	744,457

During the three months ended March 31, 2018, the REIT settled a mortgage of $55.0 million bearing interest rate of 5.11%. In addition, the REIT purchased three German properties with existing and new property specific mortgages totaling $51.8 million (€33.1 million) with weighted-average interest rate of 2.61%.

As at March 31, 2018, mortgages related to German investment properties had a balance of $196.1 million (€123.5 million) (December 31, 2017 - $137.6 million (€91.2 million)). Mortgages related to investment properties located in Canada had a balance of $546.6 million as at March 31, 2018 (December 31, 2017 - $582.7 million).

Included in mortgages is a non-revolving secured credit facility with a balance of $51.2 million, 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%. Subsequent to March 31, 2018, the REIT extended the maturity to May 2, 2019.

ii. Australasian Secured Financing

As at March 31, 2018, the principal balance outstanding on the Australasian Secured Financing was $102.3 million (NZ$109.7 million) secured by 105,977,179 units of Vital Trust held by the REIT (December 31, 2017 - $97.7 million (NZ$109.7 million) secured by 105,977,179 units of Vital Trust). The REIT had a principal balance outstanding on the Australasian Secured Acquisition Facility of $49.5 million (A$50.0 million) as at March 31, 2018.

iii. Acquisition Facility

As at March 31, 2018, the REIT had a balance outstanding on its $32.0 million acquisition facility of $8.0 million (December 31, 2017 - $8.0 million). The facility has a maturity date of December 31, 2018.

iv. Term Loans and securitization financings

(a) Brazil long-term securitization financings

As at March 31, 2018, the outstanding balance of the securitization financings was $223.9 million (R$574.4 million) (December 31, 2017 - $221.2 million (R$580.8 million)), with terms maturing between May, 2026 and November, 2027 and bearing a weighted average interest rate of 7.28% (December 31, 2017 - 7.28%)

For the three months ended March 31, 2018, the REIT recorded IPCA related accretion expense of $2.0 million, (for the three months ended March 31, 2017 - $1.5 million) with respect to the 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 multi-currency facility of approximately $594.0 million (A$600.0 million) is split between several tranches ranging from $18.6 million (NZ$20.0 million) to $173.4 million (A$175.1 million) which mature between March 31, 2019 and November 20, 2021.

As at March 31, 2018, Vital Trust had borrowings on the term loan facilities totaling $559.4 million (December 31, 2017 - $547.0 million).

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

The Australia REIT has the following bank facilities:

i. A syndicated term loan facility with a total limit of $480.3 million (A$485.0 million) maturing December 2022. As at March 31, 2018, the REIT had drawn $369.3 million (A$372.9 million);

ii. A term loan of $42.7 million (A$43.1 million) maturing December 2022;

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 Credit Facility

(a) Floating Rate Revolving Credit Facility

The revolving credit facility is secured by first and second charges on certain Canadian investment properties with fair value of $207.9 million, and the terms of a general security agreement.

On March 2, 2018, the REIT amended the terms of its revolving secured credit facility to increase the allowable borrowings by $22.0 million 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 were partially used to repay existing mortgages on the properties added to the security pool of the revolving credit facility of $32.2 million, with weighted average interest rate of 4.12%. All mortgages repaid had terms maturing in 2018.

(b) Non-Revolving Credit Facility

During the three months ended March 31, 2018, the REIT extended the maturity date of the additional tranches of $75.0 million and $50.0 million to its revolving credit facility from March 20, 2018 to June 20, 2018 and repaid $75.0 million of its non-revolving secured credit facility. As at March 31, 2018, the REIT had drawn $nil on the additional tranches.

(in thousands of Canadian dollars)

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 March 31, 2018 was 69 years. Minimum payments under the lease and their present values are as follows:

As at		March 31, 2018		December 31, 2017
Minimum lease payments payable:				
Not later than one year	$	**432**	$	425
Later than one year and not later than five years		**1,860**		1,828
Later than five years		**97,517**		96,662
		99,809		98,915
Future finance charges		**(89,841)**		(89,114)
Present value of minimum lease payments	**$**	**9,968**	**$**	**9,801**
Present value of minimum lease payments:				
Not later than one year		**416**		409
Later than one year and not later than five years		**1,508**		1,585
Later than five years		**8,044**		7,807
	$	**9,968**	**$**	**9,801**

A summary of the maturity and the weighted average interest rates relating to the mortgages and loans payable outstanding at March 31, 2018 are as follows:

	Maturity	Weighted Average Interest Rate		Carrying Value
Fixed rate				
Mortgage debt	May 2018 - January 2029	3.18%	$	**682,757**
Term loans and securitizations	March 2019 - November 2027	5.39%		**803,909**
Total fixed rate debt			$	**1,486,666**
Variable Rate				
Mortgage debt	May 2018 - January 2029	3.96%	$	**61,700**
Term loans and securitizations	March 2019 - November 2027	3.91%		**375,829**
Australasian secured financing	July 2018 - April 2019	6.68%		**149,270**
Acquisition facility	December 2018	8.20%		**7,775**
Secured floating revolving line of credit	November 2019	3.76%		**122,494**
Total variable rate debt			$	**717,068**
Total debt excluding finance lease			$	**2,203,734**
Finance lease		7.00%		**9,968**
Total debt			$	**2,213,702**

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on its $739.9 million variable rate debt as at March 31, 2018 (December 31, 2017 - $485.7 million) (note 10). The interest rate swaps terminate between 2021 and 2027.

(in thousands of Canadian dollars)

As at March 31, 2018, 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	$ 143,354	$ 102,278	$ 14,052	$ 8,000	$ —	$ 314	$ 267,998
2019	74,516	49,520	242,877	—	123,000	403	490,316
2020	93,643	—	224,928	—	—	387	318,958
2021	137,745	—	155,869	—	—	372	293,986
2022	107,729	—	436,614	—	—	357	544,700
2023 & thereafter	185,717	—	120,939	—	—	8,135	314,791
	$ 742,704	$ 151,798	$ 1,195,279	$ 8,000	$ 123,000	$ 9,968	$2,230,749
Financing costs	(3,007)	(2,528)	(15,541)	(225)	(506)	—	(21,807)
Mark-to-market adjustment	4,760	—	—	—	—	—	4,760
	$ 744,457	$ 149,270	$ 1,179,738	$ 7,775	$ 122,494	$ 9,968	$2,213,702

9. Convertible Debentures

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

As at		**March 31, 2018**	December 31, 2017
Balance, beginning of period	**$**	**296,857**	$ 331,834
Conversion to REIT units (note 14)		**(57)**	(444)
Convertible debenture redeemed		**—**	(39,836)
Change in fair value of convertible debentures		**(2,889)**	5,303
	$	**293,911**	$ 296,857

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		**March 31, 2018**	December 31, 2017
NWH.DB	**$**	**41,055**	$ 41,458
NWH.DB.C		**39,427**	40,202
NWH.DB.D		**55,074**	55,474
NWH.DB.E		**76,245**	76,768
NWH.DB.F		**82,110**	82,955
Fair Value	**$**	**293,911**	$ 296,857
Current		**—**	—
Non-Current		**293,911**	296,857
	$	**293,911**	$ 296,857

(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

10. Financial Instruments

As at		March 31, 2018		December 31, 2017
Financial assets (a):				
Foreign exchange contracts	$	**4,609**	$	1,035
Interest rate swaps		**1,570**		900
Total financial assets		**6,179**		1,935
Financial liabilities (b):				
Interest rate swaps		**13,386**		12,427
Forward contracts		**756**		1,075
Foreign exchange contracts		**406**		2,267
Total financial liabilities	$	**14,548**	$	15,769

(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 (note 8). The interest rate derivatives mature over the next one to 10 years and have fixed interest rates ranging from 1.71% to 4.74%.

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

For the three months ended March 31,		2018		2017
Fair value adjustment - interest rate swaps	$	**232**	$	(675)
Receipts/(payments) under transaction hedging foreign exchange contracts		**144**		18
Fair value adjustment -foreign exchange contracts		**772**		(1,388)
Fair value adjustment - forward contracts		**—**		666
Performance fee receivable		**—**		501
	$	**1,148**	$	(878)

(in thousands of Canadian dollars)

11. 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		**March 31, 2018**		December 31, 2017
Balance, beginning of period	**$**	**18,009**	$	14,935
Unit based compensation expense		**685**		4,791
Exercised and paid in cash		**(1,145)**		(2,371)
Exercised and settled in Trust Units		**(858)**		(1,035)
Fair value adjustment		**(149)**		1,793
FX adjustment		**61**		(104)
Balance, end of period	**$**	**16,603**	$	18,009

The balance of the DUP liability at March 31, 2018 consists of $15.2 million related to the REIT's DUP and $1.4 million related to Vital Trust's DUP (December 31, 2017 - $16.1 million related to the REIT's DUP and $1.9 million related to Vital Trust's DUP).

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

(b) Units outstanding:

As at March 31, 2018	**REIT**	**Vital Trust**
Balance, beginning January 1, 2018	**1,936,429**	**1,819,014**
Granted	**10,218**	**21,013**
Exercised and paid in cash	**(67,170)**	**(297,709)**
Exercised and paid in REIT units	**(78,200)**	**—**
Forfeited	**(313,356)**	**—**
Distribution entitlement	**36,446**	**1,216**
Balance, as at March 31, 2018	**1,524,367**	**1,543,534**
Units vested but not exercised	**1,041,492**	**117,994**

(in thousands of Canadian dollars)

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, December 31, 2017	1,936,429	1,819,014
Units vested but not exercised	1,041,290	391,893

For the three months ended March 31, 2018, the REIT and Vital Trust combined granted or issued 31,231 DUP units with a value of $0.2 million (for the three months ended March 31, 2017 - 721,062 DUP units with a fair value of $1.5 million).

12. 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.

On January 31, 2018, the REIT converted 1,290,000 Class B units to Trust units. As at March 31, 2018, there were 17,708,065 Class B exchangeable units (December 31, 2017 - 18,998,065) of Northwest International Healthcare Properties LP ("NWI LP") issued and outstanding with a fair value of $199.6 million (December 31, 2017 - $216.0 million).

Distributions declared on the Class B exchangeable units of NWI LP totaled $3.5 million for the three months ended March 31, 2018 (for the three months ended March 31, 2017 - $3.8 million) 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, 2016	18,998,065	$ 193,780
Fair value adjustment	—	22,228
Balance, December 31, 2017	18,998,065	$ 216,008
Converted to Trust units	(1,290,000)	(14,874)
Fair value adjustment	—	(1,564)
Balance, March 31, 2018	**17,708,065**	**$ 199,570**

(in thousands of Canadian dollars)

13. Rental Revenue

The components of rental revenue are as follows:

For the three months ended March 31,		2018		2017
Rental income	$	65,957	$	52,357
Operating cost recoveries		14,835		12,630
Tax and insurance recoveries		4,727		4,618
Other revenue		2,729		2,859
Rental revenue	**$**	**88,248**	**$**	**72,464**

14. 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, 2016	**69,437,168**	**$**	**604,592**
Units issued through distribution reinvestment plan (i)	612,236		6,363
Conversion of convertible debentures (note 9)	37,719		444
Units issued under deferred unit plan (note 11)	95,264		1,035
Units issued pursuant to equity offering (ii)	30,856,800		327,865
Units issuance cost (ii)	—		(15,381)
Balance, December 31, 2017	**101,039,187**	**$**	**924,918**
Units issued through distribution reinvestment plan (i)	180,057		1,934
Conversion of convertible debentures (note 9)	4,800		57
Units issued under deferred unit plan (note 11)	78,200		858
Units issued pursuant to Class B conversion (note 12)	1,290,000		14,874
Balance, March 31, 2018	**102,592,244**	**$**	**942,641**

(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%.

(in thousands of Canadian dollars)

(ii) On October 13, 2017, the REIT completed a public offering of 13,133,000 REIT units, including 1,713,000 units issued pursuant to the exercise in full of an over-allotment option, at a price of $10.95 per unit, representing gross proceeds of $143.8 million. Issue costs of $6.6 million 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 $97.8 million. Issue costs of $4.6 million 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 $86.3 million. Issue costs of $4.2 million were recognized in relation to this equity issuance.

15. Supplemental Cash Flow Information

(i) Cash and Restricted Cash

As at		**March 31, 2018**		December 31, 2017
Cash	$	**48,099**	$	71,704
Restricted cash		**370**		363
	$	**48,469**	$	72,067

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil long-term financings (note 8).

(ii) Changes in Non-Cash Working Capital Balances

For the three months ended March 31,		**2018**		2017
Accounts receivable	$	**(5,910)**	$	(3,280)
Other assets		**(701)**		(3,350)
Accounts payable and accrued liabilities		**(2,417)**		2,235
	$	**(9,028)**	$	(4,395)

(iii) Non-Cash Financing and Investing Activities

For the three months ended March 31,		**2018**		2017
Non cash distributions to Unitholders under the DRIP (note 14)	$	**1,934**	$	1,374
Units issued under deferred unit plan (note 11)		**858**		218
Non-cash conversion of convertible debentures		**57**		—
Non-cash conversion of Class B exchangeable units (note 12)		**14,874**		—

16. Related Party Transactions

(a) As at March 31, 2018, NWVP indirectly owned approximately 20.7% of the outstanding REIT units (approximately 17.3% 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.

(in thousands of Canadian dollars)

(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 March 31, 2018, these non-interest bearing amounts combined included in accounts receivable are a net asset of $0.5 million (December 31, 2017 - $0.1 million).

(c) At March 31, 2018, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable owing to NWVP and affiliates in the amount of $1.2 million (December 31, 2017 - $1.2 million), 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 three months ended March 31,		**2018**		2017
Reimbursement for out-of-pocket costs - completed transactions	**$**	**(463)**	$	673
Cost-sharing and sublease agreements		**—**		103
	$	**(463)**	$	776

17. Segmented Information

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

During the three months ended March 31, 2018, two tenants in Brazil accounted for 16% (for the three months ended March 31, 2017 - 19%), and one tenant in Australasia operating segment accounted for 13% (for the three months ended March 31, 2017 - 12%) of the total revenue from investment properties.

As at March 31, 2018	**Germany**	**Brazil**	**Australasia**	**Canada**	**Total**
Investment properties	**$ 358,685**	**$ 706,088**	**$ 2,275,932**	**$ 1,052,195**	**$4,392,900**
Mortgages and loans payable	**$ 194,328**	**$ 213,433**	**$ 976,275**	**$ 829,666**	**$2,213,702**

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

(in thousands of Canadian dollars)

For the three months ended March 31, 2018	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	$ 6,041	$ 14,048	$ 35,381	$ 32,778	$ 88,248
Property operating costs	1,668	—	4,696	15,707	22,071
Net property operating income	4,373	14,048	30,685	17,071	66,177
Other income					
Interest	1	2,275	1,288	60	3,624
Management fee	—	—	446	—	446
	1	2,275	1,734	60	4,070
Mortgage and loan interest expense	821	3,926	10,845	15,642	31,234
General and administrative expenses	709	592	1,947	2,687	5,935
Transaction Costs	—	—	138	264	402
Foreign exchange (gain) loss	—	1,779	(4,504)	3,848	1,123
	1,530	6,297	8,426	22,441	38,694
Operating income (loss)	$ 2,844	$ 10,026	$ 23,993	$ (5,310)	$ 31,553

For the three months ended March 31, 2017	Germany	Brazil	Australasia	Canada	Total
Operating Income (Loss)					
Revenue from investment properties	$ 4,235	$ 13,516	$ 20,106	$ 34,607	$ 72,464
Property operating costs	1,146	—	2,692	15,732	19,570
Net property operating income	3,089	13,516	17,414	18,875	52,894
Other income					
Interest	—	274	13	110	397
Management fee	—	—	863	—	863
Share of profit of associate		—	5,411	—	5,411
	—	274	6,287	110	6,671
Mortgage and loan interest expense	508	2,974	3,253	13,604	20,339
General and administrative expenses	536	456	2,470	2,029	5,491
Transaction Costs	68	—	—	20	88
Foreign exchange (gain) loss	5	(6)	(5,233)	1,245	(3,989)
	1,117	3,424	490	16,898	21,929
Operating income (loss)	$ 1,972	$ 10,366	$ 23,211	$ 2,087	$ 37,636

(in thousands of Canadian dollars)

18. 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. Consequently, the REIT assumed Australia REIT's approximately 56.9% investment interest in Divine Logistics Trust ("Divine") which it accounted for as a subsidiary.

On January 2, 2018, the REIT entered into a share purchase agreement to buy 94.9% of a special purpose entity for the sole purpose of acquiring the medical office building (note 3).

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

As at March 31, 2018		**Vital Trust**		**Divine**		**Fritz-Lang-Platz 6**		**Total**
Total assets	**$**	**1,559,812**	**$**	**175,437**	**$**	**24,145**	**$**	**1,759,394**
Total liabilities		**675,147**		**45,559**		**13,830**		**734,536**
Net assets	**$**	**884,665**	**$**	**129,878**	**$**	**10,315**	**$**	**1,024,858**
Attributable to:								
Unitholders of the REIT		**240,412**		**73,840**		**9,846**		**324,098**
Non-controlling interest		**644,253**		**56,038**		**469**		**700,760**
	$	**884,665**	**$**	**129,878**	**$**	**10,315**	**$**	**1,024,858**

As at December 31, 2017		**Vital Trust**		**Divine**		**Fritz-Lang-Platz 6**		**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		n/a	$	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		n/a	$	980,118

(in thousands of Canadian dollars)

	Three months ended March 31, 2018				Three months ended March 31, 2017			
	Vital Trust	**Divine**	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Revenue from investment properties	**$ 24,439**	**$ 2,000**	**$ 402**	**$ 26,841**	$ 20,106	n/a	n/a	$ 20,106
Net income attributable to:								
Unitholders of the REIT	**$ 4,355**	**$ 891**	**$ 141**	**$ 5,387**	$ 7,692	$ —	$ —	$ 7,692
Non-controlling interest	**$ 12,823**	**$ 675**	**$ 7**	**$ 13,505**	$ 24,735	$ —	$ —	$ 24,735
Net income	**$ 17,178**	**$ 1,566**	**$ 148**	**$ 18,892**	$ 32,427	n/a	n/a	$ 32,427
Total comprehensive income attributable to:								
Unitholders of the REIT	**$ (744)**	**$ 1,632**	**$ 189**	**$ 1,077**	$ 12,479	$ —	$ —	$ 12,479
Non-controlling interest	**$ (2,377)**	**$ 1,236**	**$ 10**	**$ (1,131)**	$ 39,155	$ —	$ —	$ 39,155
Total comprehensive income	**$ (3,121)**	**$ 2,868**	**$ 199**	**$ (54)**	$ 51,634	n/a	n/a	$ 51,634
Distributions attributable to non-controlling interest	**$ 6,480**	**$ 748**	**$ —**	**$ 7,228**	$ 6,473	n/a	n/a	$ 6,473

	Three months ended March 31, 2018				Three months ended March 31, 2017			
	Vital Trust	**Divine**	**Fritz-Lang-Platz 6**	**Total**	Vital Trust	Divine	Fritz-Lang-Platz 6	Total
Cash flow activities:								
Operating	**$ 7,672**	**$ 2,047**	**$ 2,132**	**$ 11,851**	$ 3,334	$ —	$ —	$ 3,334
Investing	**(10,840)**	**—**	**$ —**	**$ (10,840)**	(66,434)	—	—	(66,434)
Financing	**2,272**	**(1,808)**	**$ (1,440)**	**$ (976)**	59,714	—	—	59,714
Effect of foreign currency translation	**(2,234)**	**(128)**	**$ 15**	**$ (2,347)**	(708)	—	—	(708)
Net change in cash	**$ (3,130)**	**$ 111**	**$ 707**	**$ (2,312)**	$ (4,094)	n/a	n/a	$ (4,094)

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.

19. Commitments and Contingent Liabilities

(a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of $0.8 million to provide electricity and gas for its own use at its investment properties until December 31, 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 March 31, 2018, the REIT has a total of $0.9 million 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 two 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 $6.5 million as at March 31, 2018.

(d) The REIT has entered into acquisitions and construction agreements on development properties and is committed to costs of $221.8 million as at March 31, 2018.

(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.

20. 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 5 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 March 31, 2018 is as follows:

		Fair Value		
	Carrying value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	**$ 4,392,900**	**$ —**	**$ —**	**$ 4,392,900**
Financial instruments	**6,179**	**—**	**6,179**	**—**
Loans carried at fair value	**47,229**	**—**	**—**	**47,229**
Liabilities measured at fair value:				
Financial instruments	**14,548**	**—**	**14,548**	**—**
Convertible debentures	**293,911**	**293,911**	**—**	**—**
Class B LP exchangeable units	**199,570**	**199,570**	**—**	**—**
Deferred unit plan liability	**16,603**	**16,603**	**—**	**—**
Financial Liabilities recorded at amortized cost:				
Mortgage and loans payable	**2,213,702**	**—**	**2,229,911**	**—**

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
Derivative financial instruments	1,935	—	1,935	—
Assets held for sale	168,500	—	—	168,500
Loans carried at fair value	45,967			45,967
Liabilities measured at fair value:				
Derivative 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	—

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

(in thousands of Canadian dollars)

At March 31, 2018, the REIT is in compliance with its debt to gross book value ratio of the Declaration of Trust at 46.9% (December 31, 2017 - 46.8%) and 53.1% (December 31, 2017 - 53.1%). The debt to gross book value of the Declaration of Trust, and including convertible debentures, are as follows:

As at		March 31, 2018		December 31, 2017
Debt				
Gross value of debt excluding convertible debentures [1]	**$**	**2,230,749**	$	2,190,179
Gross value of total debt [2]		**2,524,660**		2,487,036
Gross Book Value of Assets				
Total assets	**$**	**4,758,598**	$	4,684,028
Debt-to-Gross Book Value (Declaration of Trust)		**46.9%**		46.8%
Debt-to-Gross Book Value (including convertible debentures)		**53.1%**		53.1%

(1)represents the principal balance of mortgages, mortgages related to assets held for sale, credit facility, Australasian Secured Financings, term loans, securitizations, 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, securitizations, 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 March 31, 2018, the REIT is in compliance with all such financial covenants.

22. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the consolidated financial statements as at and for the year ended December 31, 2017.

23. Subsequent Events

(i) On April 13, 2018, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on April 30, 2018, paid May 15, 2018. On May 15, 2018, the REIT declared a distribution of $0.06667per REIT unit to unitholders of record on May 31, 2018, payable June 15, 2018.

(ii) On April 26, 2018, the REIT extended the maturity of one of its non-revolving secured credit facilities from May 2, 2018 to May 2, 2019, bearing interest at Prime plus 1.25% or Bankers' Acceptances plus 2.25%.

(iii) On April 26, 2018, the REIT has completed the acquisition of a medical office complex in Germany for approximately $40.0 million. The acquisition was partially financed with a new $25.8 million mortgage bearing fixed interest rate of 2.29% with a 10 year term.

(iv) On May 8, 2018, the REIT entered into a forward and collar contract with Deutsche Bank AG, Sydney, providing the REIT with the ability to acquire up to 10% interest in Healthscope Limited at a price of $2.31 (A$2.39) per share.

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