NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST

Consolidated Financial Statements

For the Years Ended December 31, 2015 and 2014

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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 (formerly known as NorthWest International Properties Real Estate Investment Trust), which comprise the consolidated statements of Financial Position as at December 31, 2015 and December 31, 2014, the consolidated statements of income (loss) and comprehensive income (loss), changes in unitholders' equity and 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 (formerly known as NorthWest International Healthcare Properties Real Estate Investment Trust) as at December 31, 2015 and December 31, 2014, 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 10, 2016
Toronto, Canada

NorthWest Healthcare Properties Real Estate Investment Trust
Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

As at	December 31, 2015	December 31, 2014
Assets		
Investment properties (note 8)	**$ 2,491,835**	$ 524,230
Investment in associates (note 9)	**-**	255,930
Intangible asset (note 10)	**46,757**	12,490
Goodwill (note 4)	**41,671**	-
Due from related parties (note 11)	**1,736**	30,208
Derivative financial instruments (note 19)	**8,506**	-
Accounts receivable	**3,919**	1,421
Income tax receivable	**1,092**	-
Other assets (note 12)	**10,903**	1,043
Cash and restricted cash (note 13)	**15,396**	20,948
Assets held for sale (note 14)	**78,194**	-
Total assets	**$ 2,700,009**	$ 846,270
Liabilities		
Mortgages and loans payable (note 15)	**$ 1,252,993**	$ 388,312
Deferred consideration (note 16)	**34,073**	41,280
Convertible debentures (note 17)	**170,094**	71,920
Deferred revenue	**-**	12,869
Deferred tax liability (note 18)	**87,633**	20,747
Derivative financial instruments (note 19)	**18,425**	2,894
Income taxes payable	**7,373**	64
Accounts payable and accrued liabilities	**45,020**	21,810
Distributions payable	**3,513**	1,591
Liabilities related to assets held for sale (note 14)	**52,674**	-
	1,671,798	561,487
Deferred unit plan liability (note 20)	**15,597**	457
Class B and Class D exchangeable units (note 21)	**169,653**	184,358
Total liabilities	**1,857,048**	746,302
Unitholders' Equity		
Unitholders' equity (note 22)	**515,478**	99,968
Non-controlling interest	**327,483**	-
Subsequent events (note 31)		
Total liabilities and unitholders' equity	**$ 2,700,009**	$ 846,270

The consolidated financial statements were approved by the Board on March 10, 2016 and signed on its behalf by:

"Colin Loudon" Trustee
"Paul Dalla Lana" Trustee

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

NorthWest Healthcare Properties Real Estate Investment Trust
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(In thousands of Canadian dollars, except per unit amounts)

Year Ended December 31,		2015		2014
Net Operating Income				
Revenue from investment properties	$	**198,960**	$	44,084
Property operating costs		**52,999**		2,654
		145,961		41,430
Other Income				
Interest		**912**		1,813
Management fee participation (note 24(b))		**-**		2,372
Share of profit of associates (note 9)		**2,153**		2,027
		3,065		6,212
Expenses				
Mortgage and loan interest expense		**64,297**		29,313
General and administrative expenses (note 25)		**25,121**		7,831
Transaction costs		**10,310**		–
Amortization of intangible asset (note 10)		**-**		1,561
Foreign exchange loss		**2,192**		1,115
		101,920		39,820
Income (loss) before other finance costs, fair value adjustments, and net loss on disposal of investment property, and net gain business combination		**47,106**		7,822
Finance costs:				
Amortization of financing costs		**(6,907)**		(10,679)
Amortization of mark-to-market adjustment		**6,219**		–
Class B and Class D exchangeable unit distributions (note 21)		**(16,986)**		(20,219)
Fair value adjustment of Class B and Class D exchangeable units (note 21)		**13,201**		2,015
Accretion of financial liabilities (notes 15)		**(13,705)**		(16,804)
Fair value adjustment of convertible debentures (note 17)		**(3,930)**		2,253
Convertible debenture issuance costs		**(3,134)**		(3,045)
Fair value gain (loss) on derivative financial instruments (note 19)		**(404)**		(3,209)
Fair value adjustment of investment properties (note 8)		**170,301**		26,814
Net loss on disposal of investment properties (note7)		**(1,352)**		(98)
Fair value adjustment of deferred unit plan liability		**514**		13
Net gain on business combination (note 5)		**69,023**		–
Income (loss) before taxes		**259,946**		(15,137)
Income tax expense (note 18)		**42,521**		11,541
Net income (loss)		**217,425**		(26,678)
Net income (loss) attributable to:				
Unitholders		**116,854**		(26,678)
Non-controlling Interest		**100,571**		–
		217,425		(26,678)

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) continued
(In thousands of Canadian dollars, except per unit amounts)

Year Ended December 31,		**2015**		2014
Other comprehensive income (loss):				
Items that will be reclassified subsequently to income:				
Foreign currency translation adjustment	**$**	**892**		3,150
Realized foreign exchange gains/(losses) on hedges		**(1,207)**		–
Current taxation (expense)/credit		**337**		–
Unrealized foreign exchange gains/(losses) on hedges		**1,418**		–
Deferred taxation (expense)/credit		**(397)**		–
Fair value gain on net investment hedges		**(1,750)**		–
Deferred taxation (expense)/credit		**287**		–
Current taxation (expense) /credit		**204**		–
Share of other comprehensive loss of associates (note 9)		**-**		(887)
Other comprehensive income (loss), net of tax		**(216)**		2,263
Total comprehensive income (loss) for the year	**$**	**217,209**	$	(24,415)
Total comprehensive income (loss) attributable to:				
Unitholders	**$**	**115,454**	$	(24,415)
Non-controlling Interest		**101,755**		–
	$	**217,209**	$	(24,415)

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

NorthWest Healthcare Properties Real Estate Investment Trust
Consolidated Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars, except per unit amounts)

	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, 2013	**$ 90,504**	**$ 2,345**	**$ (115)**	**$ (10,564)**	**$ (4,255)**	**$ (4,228)**	**$ 73,687**	**$ –**	**$ 73,687**
Public offering of units	50,721	–	–	–	–	–	50,721	–	50,721
Units issued through distribution reinvestment plan	1,016	–	–	–	–	–	1,016	–	1,016
Units issued pursuant to warrant exercise	6,771	–	–	–	–	–	6,771	–	6,771
Asset management fees paid in units	3,288	–	–	–	–	–	3,288	–	3,288
Conversion of Class B exchangeable units	–	–	–	–	–	–	–	–	–
Conversion of Class D exchangeable units	1,689	–	–	–	–	–	1,689	–	1,689
Capital contributions (note 11)	–	2,282	–	–	–	–	2,282	–	2,282
Distributions	–	–	–	(15,071)	–	–	(15,071)	–	(15,071)
Currency translation difference	–	–	–	–	3,150	–	3,150	–	3,150
Share of other comprehensive loss of associate	–	–	–	–	(887)	–	(887)	–	(887)
Net loss for the period	–	–	–	–	–	(26,678)	(26,678)	–	(26,678)
Balance, December 31, 2014	**$ 153,989**	**$ 4,627**	**$ (115)**	**$ (25,635)**	**$ (1,992)**	**$ (30,906)**	**$ 99,968**	**$ –**	**$ 99,968**
Units issued through distribution reinvestment plan	3,394	–	–	–	–	–	3,394	2,561	5,955
Units issued on exercise of deferred units	1,028		–	–	–	–	1,028	–	1,028
Asset management fees paid in units	292	–	–	–	–	–	292	–	292
Conversion of Class B exchangeable units	1,649	–	–	–	–	–	1,649	–	1,649
Issuance of units on merger	302,197	–	–	–	–	–	302,197	–	302,197
Unit redemption on merger	(2,593)	–	–	–	–	–	(2,593)	–	(2,593)
Cancellation of REIT units under normal course issuer bid	(6,648)	–	–	–	–	–	(6,648)	–	(6,648)
Capital contributions (note 11)	–	35,212	–	–	–	–	35,212	–	35,212
Acquisition of control of subsidiary	–	–	–	–	–	–	–	241,912	241,912
Distributions	–	–	–	(34,501)	–	–	(34,501)	(18,745)	(53,246)
Currency translation difference	–	–	–	–	(1,106)	–	(1,106)	2,024	918
Other comprehensive loss	–	–	–	–	(268)	–	(268)	(840)	(1,108)
Net loss for the period	–	–	–	–	–	116,854	116,854	100,571	217,425
Balance, December 31, 2015	**$ 453,308**	**$ 39,839**	**$ (115)**	**$ (60,136)**	**$ (3,366)**	**$ 85,948**	**$ 515,478**	**$ 327,483**	**$ 842,961**

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)

Year Ended December 31,		2015		2014
Cash provided by (used in):				
Operating activities				
Income (loss) before taxes for the year	$	**259,946**	$	(15,137)
Adjustment for:				
Amortization		**275**		1,561
Mortgage and loan interest		**64,297**		29,313
Mortgage and loan interest paid		**(64,582)**		(28,649)
Finance costs				
Amortization of financing charges		**6,907**		10,679
Amortization of mark-to-market adjustment		**(6,219)**		–
Class B and Class D exchangeable unit distributions		**16,986**		20,218
Fair value adjustment of Class B and Class D exchangeable units		**(13,201)**		(2,015)
Accretion of financial liabilities (notes 15)		**13,705**		16,804
Fair value adjustment of convertible debentures (note 17)		**3,930**		(2,253)
Convertible debenture issuance costs		**3,134**		3,045
Share of profit of associates (note 9)		**(2,153)**		(2,026)
Net gain on business combination		**(69,023)**		
Unrealized foreign exchange loss		**2,405**		1,503
Amortization of deferred revenue		**(1,160)**		(1,368)
Fair value adjustment of investment properties (note 8)		**(170,301)**		(26,814)
Fair value loss on derivative financial instruments (note 19)		**1,352**		3,209
Net loss on disposal of investment property (note 7)		**825**		98
Fair value adjustment of deferred unit plan liability		**(514)**		(13)
Unit based compensation expense		**11,100**		220
Redemption of units issued under deferred unit plan		**(1,040)**		(120)
Income taxes paid		**(5,109)**		(789)
Changes in non-cash working capital balances (note 23(a))		**(4,970)**		1,613
Cash provided by operating activities		**46,590**		9,079
Investing activities				
Acquisitions of investment properties (note 6)		**(12,346)**		(70,764)
Additions to investment properties (note 8)		**(81,001)**		(984)
Net proceeds on disposal of investment properties (note 7)		**20,175**		6,825
Working capital acquired on internalization		**468**		–
Cash acquired on acquisition of control		**1,055**		–
Cash acquired on Combination Transaction		**3,217**		–
Distributions from associates (note 9)		**3,172**		15,499
Additions to furniture and fixtures		**(230)**		–
Receipts from foreign exchange contracts		**(541)**		–
Net decrease (increase) in restricted cash		**1,650**		(885)
Cash used in investing activities		**(64,381)**		(50,309)
Financing activities				
Mortgage and loan proceeds		**151,516**		43,881
Mortgage and loans discharged (note 15)		**(139,137)**		(4,887)
Repayment of mortgages		**(11,943)**		(1,781)
Issuance of convertible debentures, net of issuance costs (note 17)		**49,868**		35,705
Proceeds from units issued, net of issue costs (note 22)		**-**		56,600
Repurchase of units under normal course issuer bid		**(6,648)**		–
Net advances (repayments) of loans payable		**21,159**		(15,036)
Payment of deferred consideration		**-**		(32,780)
Financing fees paid		**(7,884)**		(3,565)
Net advances from related parties		**32,694**		1,669
Distributions paid		**(29,187)**		(13,196)
Class B and Class D exchangeable units distributions paid		**(29,097)**		(8,056)
Distributions paid to non-controlling interest		**(17,445)**		–
Cash provided by financing activities		**13,896**		58,554
Net change in cash		**(3,895)**		17,324
Effect of foreign currency translation		**360**		(1,590)
Net change in cash		**(3,535)**		15,734
Cash, beginning of year		**18,370**		2,636
Cash, end of year	$	**14,835**	$	18,370

Supplemental disclosure relating to non-cash financing and investing activities (note 23(b))

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 284 King Street East, Suite 100, Toronto, Ontario M5A 1K4.

On May 15, 2015, the REIT completed a plan of arrangement ("Plan of Arrangement"), whereby the REIT acquired, among other things, all of the assets of NorthWest International Healthcare Properties Real Estate Investment Trust ("NWI"). Under the Plan of Arrangement, unitholders of NWI received 0.208 of a REIT trust unit, for each NWI REIT unit held, on a tax deferred basis. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI's exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT trust units. Upon closing, the former unitholders of NWI owned approximately 52% of the issued and outstanding units of the combined entity. As a result of this and other qualitative considerations, NWI has been identified as the accounting acquirer. Accordingly, these consolidated financial statements are a continuation of the historical financial statements of NWI, with one adjustment, which is to adjust retroactively NWI's trust units, Class B and Class D exchangeable units, deferred units, and warrants (legal capital) to reflect the legal capital of the REIT using an exchange ratio of 0.208. Comparative information presented in these consolidated financial statements also is retroactively adjusted to reflect the legal capital of the REIT. NWI, referenced hereafter to the REIT, include references to NWI prior to the completion of the Plan of Arrangement. The results of operations of the REIT have been consolidated from the date of the combination transaction, May 15, 2015.

With the completion of the transaction, NWI's trust units and convertible debentures (note 17) were delisted from the TSX Venture Exchange at the close of business May 19, 2015. See note 5 for further details.

Until January 28, 2015, affiliates of NorthWest Value Partners Inc. ("NWVP") served as NWI's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. On January 28, 2015, with an effective date of January 1, 2015, the REIT internalized its external management arrangements (the "Internalization Transaction"), terminating the asset management, property management and development functions of NWI previously carried on by affiliates of NWVP. The Internalization Transaction also resulted in the REIT acquiring from NWVP all of the rights and obligations relating to the management of Vital Healthcare Property Trust ("Vital Trust"). See Note 3.

The REIT's consolidated financial statements for the year ended December 31, 2015, were authorized for issue by the Board of Trustees on March 10, 2016.

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 contract between the REITs wholly-owned subsidiaries Vital Healthcare Management Limited and related entities ("VHML") and Vital Trust. The intangible asset has been measured at its fair value as at the effective date of the Internalization Transaction, January 1, 2015. When estimating the fair value of the intangible asset, 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 3.

(ii) Incentive fee revenue

Revenues from performance-based incentive fees are recorded on the accrual basis based on the estimated amount that would be due under the Vital Trust incentive fee formula at the end of the measurement period established by the contract. The calculation includes management estimates of capitalization rates, foreign currency exchange rates, and the timing of completion of development activities.

(iii) 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.

1. Statement of Compliance (continued)

(c) Critical accounting estimates (continued)

(iv) Interests in associates

If it is determined that objective evidence exists that indicate that the REIT's interest in its associates has been impaired, the investment must be written down to its estimated fair value. Estimates used in determining the fair value of the associates include discount rates, inflation rates, net operating income and cash flows.

(v) 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 19.

(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 Internalization Transaction (note 4) and Combination Transaction (note 5), have been accounted for as asset acquisitions.

1. Statement of Compliance (continued)

(d) Critical judgments in applying accounting policies (continued)

(iii) 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.

2. Summary of Significant Accounting Policies

(a) Goodwill and indefinite-life intangible assets

The carrying values of identifiable intangible assets with indefinite lives 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, 2015, 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, 2015.

(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.

2. Summary of Significant Accounting Policies (continued)

(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 asset

The intangible asset (note 10) relates to the REIT's rights and obligations under the contract between the VHML and Vital Trust. The intangible asset has been measured at its fair value as at the effective date of the Internalization Transaction. As the contract has an indefinite life and does not expire, the intangible asset is not being amortized. The intangible asset is assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Prior to the Combination Transaction, the intangible asset initially represented the REIT's Management Fee Participation Agreement with its external asset manager as described in note 24(b). The intangible asset was initially recorded at fair value at the time of the acquisition of the agreement. Amortization of the value of the management fee participation intangible was determined using the straight-line method over its estimated useful life of 10 years.

(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. All of the 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 related to the management fee participation agreement was recorded as earned pursuant to the REIT's agreement with its external asset manager as described in note 24(b).

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

2. Summary of Significant Accounting Policies (continued)

(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 at fair value through profit or loss ("FVTPL"), are measured at fair value plus transaction costs on initial recognition. Financial assets 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 does not have any assets at FVTPL.

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.

The REIT does not have any 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.

The REIT does not have any available-for-sale financial assets.

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.

2. Summary of Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL if they are designated as such by management, or if 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.

Management has designated the Class B and Class D exchangeable units, convertible debentures, and DUP liability as FVTPL. The 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, distributions payable and liabilities associated with assets held for sale.

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, furniture and office equipment, mortgage escrow 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.

2. Summary of Significant Accounting Policies (continued)

(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.

Hedge Accounting

The REIT, through its investment in Vital Healthcare Property Trust ("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 and Class D Exchangeable Units

The Class B and Class D 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 Band Class D 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 and Class D exchangeable units are accounted for as finance costs. As a result of the Combination Transaction, the REIT no longer has any Class D exchangeable units outstanding as at May 15, 2015.

(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.

2. Summary of Significant Accounting Policies (continued)

(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.

(p) Income taxes (continued)

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.

2. Summary of Significant Accounting Policies (continued)

(q) Investment in associates

Associates are all entities over which the REIT has significant influence but not control. As a result of the Internalization Transaction and Combination Transaction, the REIT does not have any Investments in Associates as at December 31, 2015 (see notes 4 and 5).

Prior to the internalization Transaction and Combination Transaction, the REIT's investment in associates represented the REIT's approximate 24% indirect interest in Vital Trust and an approximate 26% interest in NorthWest Healthcare Properties REIT ("NWHP REIT"). The REIT had determined that due to its approximately 24% interest in Vital Trust (and through the REIT's common external management arrangements with Vital Trust) and 26% interest in NWHP REIT, the REIT had significant influence over the investments and accordingly has accounted for its investments using the equity method of accounting. The investments in Vital Trust and NWHP REIT had been initially recognized at cost on the date at which significant influence was obtained.

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.

(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) 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. The project had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The REIT has not yet determined the potential impact the adoption of IFRS 9 will have on its consolidated financial statements.

(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. IFRS 15 provides a single, principle based five-step model that will apply to all contracts with customers with limited exceptions. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. IFRS 15 is required for annual periods beginning on or after January 1, 2017, however, earlier adoption is permitted. The REIT is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

(s) Future accounting changes (continued)

(iii) IAS 1, Presentation of Financial Statements ("IAS 1")

In December 2014, the IASB issued amendments to IAS 1, which are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The REIT intends to adopt these amendments in its financial statements for the annual period beginning January 1, 2016 and is currently assessing the impact of the amendments on its consolidated financial statements.

(iv) IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued on January 13, 2016. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires companies to recognize most leases on the balance sheet. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the company has adopted IFRS 15 Revenue from Contracts with Customers. The REIT is in the process of assessing the impact of IFRS 16 on its consolidated financial statements.

(In thousands of Canadian dollars, except per unit amounts)

3. Business Combination

On January 28, 2015 (with an effective date of January 1, 2015) pursuant to the internalization agreement (the "Internalization Agreement") dated January 7, 2015 between the REIT and NWVP, the REIT indirectly acquired the asset management and property management affiliates of NWVP. The REIT also acquired from NWVP all of the rights and obligations relating to the management of Vital Trust. The internalized management functions acquired from NWVP met the definition of a business and therefore the transaction has been accounted for as a common control business combination following the guidance under IFRS 3 - Business Combinations.

As consideration for the Internalization Transaction, NWVP received the total amount that would be paid under the existing external management arrangements and fees earned by VHML, as external manager of Vital Trust, for the 12 months ending December 31, 2014, adjusted for the full year effect of acquisitions and committed capital. This amount was determined to be $6,588. In connection with the Internalization Transaction, the REIT issued (vested and unvested) deferred units under its deferred unit plan to new employees of the REIT having a value of approximately $8,079. Accordingly, NWVP issued to the REIT an offsetting $1,491 non-interest bearing promissory note, due on demand. The Internalization Transaction did not have a cash impact on the REIT.

The preliminary purchase equation is summarized as follows:

Vital Trust management rights (note 10)	$	46,757
Promissory note		1,491
Investment in Vital Trust (note 9(i))		575
Furniture and office equipment		376
Deferred tax asset		45
Working capital [1]		468
Due to related party (note 11)		(468)
Deferred unit plan liability (note 20)		(3,596)
	$	45,648
Consideration comprised of:		
Contribution of capital	$	45,648

[1] As per the Internalization Agreement, the purchase price was adjusted to the extent that the working capital (defined as current assets less current liabilities) of the acquired management entities is greater or less than nil.

During the year ended December 31, 2015, the REIT incurred transaction costs of $862 related to the Internalization Transaction. These costs have been expensed as incurred in the statement of income (loss) and comprehensive income (loss).

In connection with the Internalization Transaction, NWVP provided NWI with an agreement which committed NWVP, by means of a capital contribution, to support the impact of the internalization from January 1, 2015 to March 31, 2015. For the year ended December 31, 2015, NWI recorded a capital contribution of $1,385 to effect the internalization support for the year.

(In thousands of Canadian dollars, except per unit amounts)

4. Acquisition of Control

On January 1, 2015, in connection with the Internalization Transaction (note 3), 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, it was determined that the REIT obtained control (as defined in IFRS 10 - Consolidated Financial Statements) with respect to its investment in Vital Trust. Accordingly, the acquisition of control of Vital Trust is accounted for as a business combination in accordance with IFRS 3 - Business Combinations. The acquisition of control was treated as a step acquisition by the REIT and effective January 1, 2015, the REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust. The REIT has elected to measure the non-controlling interest at its proportionate interest in the recognized amount of the identifiable net assets of Vital Trust at the acquisition date.

The preliminary purchase price equation based on the aggregate fair value of the assets acquired and liabilities assumed on the acquisition date, January 1, 2015, is as follows:

Investment properties	$	563,212
Derivative financial instruments		6,722
Other assets		438
Cash		1,055
Term loans		(195,873)
Derivative financial instruments		(12,958)
Deferred tax		(29,653)
Accounts payable and accrued liabilities		(5,602)
Income taxes payable		(8,822)
Net assets acquired	$	318,519
Non-controlling interest	$	241,912
Investment in associate prior to acquisition of control (note 9(i))		118,278
	$	360,190
Goodwill	$	41,671

5. Combination Transaction

On May 15, 2015, the REIT completed a Plan of Arrangement, whereby the REIT acquired, among other things, all of the assets of NWI (the "Combination Transaction"). Under the Plan of Arrangement, unitholders of NWI received 0.208 of a REIT unit, for each NWI trust unit held, on a tax deferred basis. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI's exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT units. Upon closing, the former unitholders of NWI owned approximately 52% of the issued and outstanding units of the combined entity. As a result of this and other qualitative considerations, NWI was identified as the accounting acquirer.

(In thousands of Canadian dollars, except per unit amounts)

5. Combination Transaction (continued)

The REIT met the definition of a business and therefore the transaction has been accounted for as a business combination. The purchase consideration transferred by NWI is an amount equal to the fair value of the REIT's outstanding units deemed to be issued to outside REIT unitholders prior to the Combination Transaction and the carrying value of the existing 25.42% interest NWI had in the REIT.

As the fair value of the consideration transferred was less than the fair value of the REIT, a gain was recognized on the business combination.

The first component of the purchase consideration of the REIT's net assets acquired by NWI was measured by calculating the number of units that NWI would have had to issue in order to provide the same percentage ownership of the combined entity to the unitholders of the REIT as they would have in the combined entity as a result of the reverse takeover. The fair value of the units used in measuring the purchase price of the business combination by NWI was based on the closing price of the REIT's units on the date just prior to the date of completion of the transaction.

The second component of the purchase consideration consists of NWI's investment in the REIT prior to the Combination Transaction. Prior to the Combination Transaction, NWI held a 25.42% investment in the REIT, which consisted of 4,345,900 REIT units and 7,551,546 Class B limited partnership units of NHP Holdings Limited Partnership ("NHP LP"), which were exchangeable for REIT units. NWI accounted for its investment in the REIT as an investment in associate using the equity method.

The deemed consideration for the acquisition of the REIT by NWI consists of:

- $302,197 representing the fair value of the outstanding REIT units not owned by NWI immediately before the Combination Transaction, valued at the closing price of the REIT's units of $8.65 per unit on the date prior to the date of the closing of the Combination Transaction; and

- Previously acquired 25.42% interest of the REIT owned by NWI having a carrying value of $137,208.

The purchase equation is summarized as follows:

Investment properties	$	1,281,174
Due from NWI		58,991
Accounts receivable		3,229
Other assets		3,290
Cash and cash equivalents		3,217
Mortgages payable		(769,615)
Convertible debentures		(41,244)
Derivative financial instruments		(1,863)
Accounts payable and accrued liabilities		(26,047)
Distributions payable		(2,704)
	$	508,428
Consideration comprised of:		
Deemed consideration issued to outside REIT unitholders	$	302,197
25.42% interest in the REIT held by NWI		137,208
	$	439,405
Net gain on business combination	$	69,023

(In thousands of Canadian dollars, except per unit amounts)

5. Combination Transaction (continued)

The fair value of the interest of the REIT owned by NWI on the date of acquisition was $128,641, therefore, included in the gain on business combination is a loss of $8,567 related to the revaluation of the interest of the REIT held by NWI immediately prior to the Combination Transaction.

During the year ended December 31, 2015, the REIT incurred transaction costs of $9,130 related to the Combination Transaction. These costs have been expensed as incurred in the statement of income (loss) and comprehensive income (loss).

The following pro forma supplemental information presents certain results of operations as if the Combination Transaction had been completed at the beginning of the fiscal period presented.

For the year ended December 31, 2015	As reported	Pro Forma
Revenues	$ 198,960	$ 255,349
Net income attributable to unitholders	$ 116,854	$ 123,165

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 the Combination Transaction been completed at the beginning of the period presented. The pro forma supplemental information excludes business integration costs and opportunities.

6. Property Acquisitions

(a) 2015 Property Acquisitions

On April 1, 2015, the REIT completed the acquisition of a parking lot in Berlin, Germany ("Rubenstrasse") for a gross purchase price of $1,052 including transaction costs of $58. The REIT's investment was funded from cash on hand.

On November 25, 2015, Vital Trust completed the acquisition of a 29,000 square foot property at 27 Hopkins Street, Merewether, Newcastle in NSW. 27 Hopkins Street was acquired for of $7,842 (NZ$8,801) including transaction costs. Vital Trust also completed the acquisition of a parcel of vacant land in Toronto, New South Wales, Australia ("Toronto") for a gross purchase price of $302 including transaction costs on July 22, 2015.

On December 4, 2015 Vital Trust settled the acquisition of 6 Lingard Street, Merewether, Newcastle in NSW, opposite Lingard Private Hospital for $3,151 (NZ$3,536).

(b) 2014 Property Acquisitions

On June 25, 2014, the REIT completed the acquisition of a portfolio of 13 properties in Germany (the "Core German MOB Portfolio") for a gross purchase price of $54,950 including transaction costs of $3,546. The REIT's investment was funded from cash on hand including a portion of the net proceeds from the equity offering completed in May 2014 (note 22(i)), a holdback and earnout obligation, and new mortgage financing from a German lending institution (note 15). The acquisition of the Core German MOB Portfolio has been treated as an asset purchase.

On August 29, 2014, the REIT completed the acquisition of a medical office complex in Germany (known as "Hohenschoenhausen") for a gross purchase price of $17,517 including transaction costs of $1,382. The REIT's investment was funded from cash on hand including a portion of the proceeds from the issuance of equity pursuant to the exercise of warrants in September 2014 (note 22(ii)), a holdback obligation (note 16(ii)) and new mortgage financing from a German lending institution (note 15). The acquisition of Hohenschoenhausen has been treated as an asset purchase.

(In thousands of Canadian dollars, except per unit amounts)

7. Property Disposal

(a) 2015 Property Disposals

During the year ended December 31, 2015, the REIT completed the sale of four investment properties located in Canada for gross proceeds of $26,426. The REIT recognized a net loss on sale of $1,272 primarily due to transaction costs and a provision for the closing cost associated with a REIT-operated clinic. As part of the transactions, $11,244 of mortgage debt associated with the investment properties was repaid and $4,938 was assumed by purchasers.

(b) 2014 Property Disposal

On February 17, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for $6,924 and recognized a net loss on sale of $98 due to transaction costs. The REIT repaid $4,887 of mortgage debt associated with the investment property.

8. Investment Properties

As at		**December 31, 2015**		December 31, 2014
Balance, beginning of the year	**$**	**524,230**	$	448,832
Acquisition of investment property		12,347		72,468
Disposition of investment property (note 7)		–		(6,924)
Acquisition of control (note 4)		563,212		–
Combination Transaction (note 5)		1,281,174		–
Additions to investment properties		80,168		984
Increase in straight line rents		1,763		–
Reclassified as assets held for sale (note 14)		(103,036)		–
Reclassification of deferred revenue		(11,816)		–
Amortization of deferred revenue		1,134		–
Fair value gain		169,477		26,814
Foreign currency translation		(26,818)		(17,944)
Balance, end of the year	**$**	2,491,835	$	524,230

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

The fair value of the investment properties at December 31, 2015 and December 31, 2014 were determined using a combination of both valuations performed by third-party appraisers and internal valuation models incorporating available market evidence. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, and property level capital expenditures and net operating income.

(In thousands of Canadian dollars, except per unit amounts)

8. Investment Properties (continued)

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

	As at December 31, 2015			
	Canada	Brazil	Germany	Australasia
Discount rate - range	6.0% - 8.8%	9.5%	5.8% - 6.8%	6.9% - 11.4%
Discount rate - weighted average	7.5%	9.5%	6.2%	8.3%
Terminal capitalization rate - range	5.8% - 8.0%	9.0%	6.3% - 7.5%	6.6% - 10.5%
Terminal capitalization rate - weighted average	6.9%	9.0%	6.7%	7.5%
Implied capitalization rate - range	5.3% - 9.5%	9.2%	5.2% - 7.5%	6.8% - 10.8%
Implied capitalization - rate weighted average	6.6%	9.2%	6.4%	7.6%

	As at December 31, 2014			
	Canada	Brazil	Germany	Australasia
Discount rate - range	6.0% - 9.8%	10.0%	6.5% - 7.0%	8.8% - 12.5%
Discount rate - weighted average	7.5%	10.0%	6.7%	10.4%
Terminal capitalization rate - range	5.8% - 8.8%	9.0%	6.9% - 8.4%	7.3% - 11.3%
Terminal capitalization rate - weighted average	6.9%	9.0%	7.4%	9.6%
Implied capitalization rate - range	5.3% - 9.4%	9.4%	5.7% - 7.4%	7.1% - 12.0%
Implied capitalization - rate weighted average	6.8%	9.4%	6.4%	9.0%

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 $81,688 and a 0.25% decrease would increase fair value by $88,077.

During the year ended December 31, 2015, properties with an aggregate fair value of $1,430,725 (December 31, 2014 - $524,230,496) were valued by external valuation professionals with recognized and relevant professional qualifications.

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

	December 31, 2015
Less than 1 year	$ 165,808
1 - 5 years	$ 547,277
Longer than 5 years	$ 1,342,140

(In thousands of Canadian dollars, except per unit amounts)

9. Investment in Associates

	Vital Trust (i)	NWHP REIT (ii)	Total
As at December 31, 2013	**$ 106,077**	**$ 153,426**	**$ 259,503**
Cash distributions received	(5,980)	(9,519)	(15,499)
Share of profit (loss) for the year	7,707	(5,680)	2,027
Share of other comprehensive loss for the year	(887)	–	(887)
Foreign exchange	10,786	–	10,786
As at December 31, 2014	**$ 117,703**	**$ 138,227**	**$ 255,930**
Assumption of units on business combination (note 3)	575	–	575
Acquisition of control (note 4)	(118,278)	–	(118,278)
Cash distributions received	–	(3,172)	(3,172)
Share of profit for the period	–	2,152	2,152
Combination transaction (note 5)	–	(137,207)	(137,207)
As at December 31, 2015	**$ –**	**$ –**	**$ –**

(i) Investment in Vital Healthcare Property Trust

Prior to the Internalization Transaction (note 3), the REIT's investment in Vital Trust was accounted for using the equity method. Upon internalization, the REIT acquired all of the rights and obligations relating to the management of Vital Trust, and therefore it was deemed, among other factors, that the REIT obtained control with respect to this investment (note 4). As of January 1, 2015, the REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

As at December 31, 2015, the REIT had exposure to 84,354,098 units of Vital Trust (2014 - 81,659,866) representing an interest of 24% (December 31, 2014 - 24%). The closing price on the New Zealand Stock Exchange ("NZX") of Vital Trust's units as at December 31, 2015 was $1.78 (NZ $1.87) (2014 - $1.42 (NZ $1.57)).

(ii) Investment in NorthWest Healthcare Properties REIT

Prior to the Combination Transaction (note 5), NWI's investment in the REIT was accounted for using the equity method. Upon combination on May 15, 2015, the REIT's financial results and financial position are consolidated with NWI.

(In thousands of Canadian dollars, except per unit amounts)

10. Intangible Asset

The REIT's intangible asset relates to the rights and obligations related to the management of Vital Trust. In conjunction with the Internalization Transaction (note 3), the REIT acquired the rights to 100% of the management fees paid by Vital Trust through its acquisition of VHML and related entities (the "Vital Manager"). The contract that governs the fee stream paid by Vital Trust does not expire and therefore, the intangible asset is not being amortized.

	December 31, 2015	December 31, 2014
Balance, beginning of the year	**$ 12,490**	$ 14,051
Settlement of existing arrangement [1]	**(12,490)**	–
Acquisition of Vital Trust management rights [1] (note 3)	**46,757**	–
Amortization	–	(1,561)
Balance, end of the year	**$ 46,757**	$ 12,490

[1] The settlement of NWI's Vital Management Fee Participation Agreement in conjunction with the Internalization Transaction was recorded as a capital contribution transaction in the consolidated statement of unitholders' equity.

11. Due from Related Parties

The following table summarizes the balance owing from/(to) NWVP and its subsidiaries:

As at	**December 31, 2015**	December 31, 2014
Working capital and closing adjustment receivable - Initial International Assets (i)	**$ –**	$ 16,967
Interest rate subsidy (ii)	**669**	4,155
Instalment note receivable (iii)	–	1,386
Vital Management Fee Participation	–	4,702
Interest (ii)	–	2,941
Internalization contribution (iv)	**1,385**	–
Other (v)	**(318)**	57
	$ 1,736	$ 30,208

(i) Working capital and closing adjustment receivable - Initial International Assets

The working capital and closing adjustment receivable from a subsidiary of NWVP arises as a result of the differences in the values of the working capital and debt indirectly assumed on acquisition of the portfolio of international assets acquired October 1, 2012 (the "Initial International Assets") as compared to the values assigned at the time of the signing of the agreement entered into in connection with the acquisition.

In connection with the Combination Transaction, NWVP made a cash payment to the REIT which settled this balance in full.

11. Due from Related Parties (continued)

(ii) Interest rate subsidy

NWVP committed, by means of a capital contribution, that the effective interest rate payable by the REIT on assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. At the date of acquisition the present value of the interest rate subsidy was $1,874 and had been recorded as a receivable from NWVP, and subsequent cash payments by NWVP would have been recorded as a reduction of the receivable balance.

During 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to December 31, 2014.

NWVP and the REIT agreed to further extend and amend the interest rate subsidy, with an effective date of January 1, 2015, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to March 31, 2015. For the year ended December, 2015 the interest rate subsidy was $669 (December 31, 2014 - $4,155).The interest rate subsidy has been recorded as a capital contribution on the consolidated statement of unitholders' equity.

In connection with the Combination Transaction, NWVP made a cash payment of $3,780 to partially settle this outstanding balance.

(iii) Instalment note receivable

In connection with the REIT's acquisition of the Initial International Assets, the REIT entered into an arrangement with an affiliate of NWVP to partially compensate the REIT for assuming obligations associated with the Sabará Children's Hospital in Brazil (the "Instalment Note"). Pursuant to the Instalment Note, the REIT earned from an affiliate of NWVP, two instalment note receipts - on April 2, 2013 (extended to April 2, 2014) and April 2, 2014 respectively, with both instalment note receipts remaining outstanding from April 2, 2014 until settlement.

In connection with the Combination Transaction, NWVP made a cash payment to the REIT which settled this balance in full.

(iv) Internalization contribution

As a result of costs incurred by the REIT following completion of the Internalization Transaction (note 3), NWVP committed to make a capital contribution to the REIT. For the year ended December 31, 2015, the REIT recorded a capital contribution of $1,385. The capital contribution is recorded on the consolidated statement of unitholders' equity.

(v) Other

In the normal course of operations, through shared services arrangements with affiliates of NWVP and through the post-closing working capital adjustment related to the Internalization Transaction (note 3), the REIT has amounts owing to and from NWVP and affiliates. These amounts combined are a net current liability as at December 31, 2015 and are non-interest bearing.

(In thousands of Canadian dollars, except per unit amounts)

12. Other Assets

As at	December 31, 2015	December 31, 2014
Acquisition and financing costs	**$ 6,902**	888
Prepaid expenses	**2,093**	$ 80
Furniture and office equipment	**1,149**	–
Mortgage escrow	**126**	–
Other	**633**	75
	$ 10,903	$ 1,043

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

13. Cash and Restricted Cash

As at	December 31, 2015	December 31, 2014
Cash	**$ 14,835**	$ 18,370
Restricted Cash	**561**	2,578
	$ 15,396	$ 20,948

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term loans (note 15).

14. Assets Held for Sale

As at December 31, 2015, the REIT classified 13 properties as held for sale with a total value of $78,194. At December 31, 2015, management had committed to a plan of sale of the underlying properties and the sale is considered to be highly probable. Liabilities associated with these assets are $52,674, representing mortgages secured by the investment properties.

15. Mortgages and Loans Payable

As at	December 31, 2015	December 31, 2014
Mortgages payable (net of financing costs of $2,924, 2014 - $1,070) (a)	**$ 761,100**	$ 75,554
Margin facilities (net of financing costs of $122, 2014-$1,005) (b)	**48,717**	113,424
Term loans (net of financing costs of $3,228, 2014 - $3,790) (c)	**323,437**	176,309
Acquisition Facility (net of financing costs of $508, 2014 - $974)	**23,492**	23,025
Secured floating rate revolving credit facility (d) (net of financing costs of $253, $2014- nil)	**96,247**	–
Total	**$ 1,252,993**	388,312
Less: Current portion	**140,395**	233,636
Non-current debt	**$ 1,112,598**	$ 154,676

(In thousands of Canadian dollars, except per unit amounts)

15. Mortgages and Loans Payable (continued)

(a) Mortgages payable

All mortgages are secured by first or second charges on specific investment properties in Canada and Germany, with a carrying value of $1,293,647 at December 31, 2015, and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2016	$ 18,117	$ 25,523	$ 43,640
2017	17,338	124,973	142,311
2018	16,995	86,970	103,965
2019	14,513	63,456	77,969
2020	13,119	65,855	78,974
2021	9,365	102,062	111,427
2022	6,864	74,941	81,805
2023	3,635	57,931	61,566
2024	2,204	14,225	16,429
2025 and thereafter	2,756	26,917	29,673
Face value	**$ 104,906**	**$ 642,853**	**$ 747,759**
Mark-to-market adjustment			**16,265**
Unamortized financing costs			**(2,924)**
Carrying amount			**$ 761,100**

In August 2015, the REIT completed the refinancing of mortgages secured against five of the REIT's properties located in Berlin and Fulda, Germany. The refinancing replaced the previous mortgages with an outstanding balance of $49,086 (€32,209), weighted average interest rate of 2.27% and weighted average term to maturity of 2.42 years. The new financing represents five first mortgages totaling $53,121 (€34,857), bearing interest rates ranging from 1.42% to 2.11% (weighted average interest rate of 1.65%) and terms ranging from 5-10 years representing a weighted average term of 6.67 years.

In November 2015, the REIT repaid the mortgage outstanding on its North York Medical Arts property in Toronto, Ontario with an outstanding balance of $9,634 financed in part through a draw from the REIT’s credit facility. The mortgage bore an interest rate of 5.19% and was due to mature in September 2016. The North York Medical Arts property has been pledged as security to the Secured Floating Rate Revolving Credit Facility.

The REIT refinanced mortgages that were secured against five of the REIT’s investment properties located in Canada between November and December 2015. The refinancing replaced seven, first and second mortgages that were maturing in 2016 with an outstanding balance of $50,332 and weighted average interest rate of 5.47%. The new financing represents five first mortgages totaling $59,675, bearing a weighted average interest rate of 2.99% and weighted average term of 5.6 years.

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on $80,179 of its variable rate mortgages payable as at December 31, 2015 (note 19(b)). The interest rate swaps fix the interest rates between 2.13% and 4.32% (2014 – 2.13% and 2.58%) and terminate between June 2019 and January 2023.

15. Mortgages and Loans Payable (continued)

(b) Margin facilities

Immediately prior to the Combination Transaction (note 5), NWI's margin facilities secured by units of the REIT were repaid in full and cancelled. As a result, at December 31, 2015, the principal balance outstanding was nil on these margin facilities (December 31, 2014 - $67,927).

As at December 31, 2015, the REIT has pledged 81,659,865 (December 31, 2014 - 81,659,865) units of Vital Trust as security for the margin facilities. As at December 31, 2015, the principal balance outstanding on the margin facilities with respect to the REIT's investment in Vital Trust was $48,839 (NZ$51,447) (December 31, 2014 - $46,501 (NZ$51,422)).

The REIT has entered into an interest rate swap with respect to one margin facility secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately $4,462 (NZ $4,700) (December 31, 2015 - $4,250 (NZ$4,700)) of the outstanding loan balance (note 19). The interest rate swap fixes the interest rate at 4.03% (2014 - 4.03%) and terminates on March 29, 2016.

(c) Term Loans

(i) Brazil term loans

In November 2015, the REIT paid in full the outstanding balance of the term loan related to its HMB property totaling $42,681 (R$125,000). The term loan was repaid with net proceeds from the issuance of Series NWH.DB.D Debentures (see note 17). In December 2015, the REIT paid the IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) portion relating to the HMB loan totaling $1,964 (R$5,695). In December 2015, the REIT also repaid the full outstanding balance and IPCA component of the Caxias term loan totaling $38,645 (R$110,937) using proceeds from the Secured Floating Rate Revolving Credit Facility (see note 15(d)) and cash on hand.

As at December 31, 2015, the remaining Brazil term loans had a principal balance of $56,058 (December 31, 2014 - $180,099).

The REIT had entered into interest rate swaps with respect to the Brazil term loans, which matured on December 22, 2015. In December 2015, the REIT entered into new interest rate swaps on the remaining outstanding term loans that mature on December 2016. At December 31, 2015, the interest rate swaps fix the interest rate to 10.30% (2014 - 7.30%). On maturity, the principal balance of the term loans will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). For the year ended December 31, 2015, accretion expense of $12,375 (December 31, 2014 - $13,029) was recorded to account for the related IPCA adjustment for the year.

In August 2015, the REIT has received a conditional commitment from a Brazilian financial institution and expects to complete a long term financing in respect of its Hospital e Maternedade Brasil asset ("HMB"). The financing is for an amount ranging from $63,000 to $72,000 (R$180,000 to R$205,000, with a term of 10 years and maximum interest rate of the NTN-B (an inflation (IPCA) linked bond) plus 200 basis points. The financing is subject to due diligence and regulatory approvals.

(ii) 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 $429,000 (A$425,000) facility, a multi-currency facility, is split between Tranche A: approximately $126,000 (A$125,000) and Tranche B: approximately $101,000 (A$100,000) which are due to expire on March 31, 2019, and Tranche C: approximately $101,000 (A$100,000), Tranche D: approximately

(In thousands of Canadian dollars, except per unit amounts)

15. Mortgages and Loans Payable (continued)

$101,000 (A$100,000) plus the New Zealand Dollar Facility: approximately $19,000 (NZ$20,000) which are due to expire on October 30, 2020.

As at December 31, 2015, Vital Trust had borrowings on the term loan facilities totalling $270,608 (December 31, 2014 - nil).

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on June 26, 2014. 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.

(d) Secured Floating Rate Revolving Credit Facility

During the year ended December 31, 2015 the REIT increased and extended its revolving credit facility, increasing the facility from $55,000 to $75,000 (both including a $5,000 letter of credit facility) and extending the term from March 25, 2015 to November 2, 2017. The REIT also has an option to expand the facility to $100,000 and an option to extend for a further one year period, each subject to terms and conditions satisfactory to the lenders. The revolving credit facility bears interest at rates ranging from the bank’s prime rate plus 0.85% to 1.00% (previously bank’s prime plus 1.00%) or Bankers’ Acceptances plus 1.85% to 2.00% (previously Banker’s Acceptances plus 2.00%). The facilities are secured by certain investment properties, with a carrying value of $119,259 and the terms of a general security agreement.

On December 21, 2015, the REIT further amended and expanded the facility to $100,000, adding a short-term tranche of $25,000 on the same terms as the existing facility except it matures on March 31, 2016. The proceeds from the short-term tranche were used to repay the Caxias term loans (note 15(c)). As at December 31, 2015, there was a $96,247 (December 31, 2014 - nil) outstanding balance on the credit facility, net of unamortized financing costs of $253 (December 31, 2014 - nil).

A summary of the maturity and effective interest rates relating to the mortgages and loans payable outstanding at December 31, 2015 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value
Fixed rate			
Mortgage debt	May 10, 2016 – January 1, 2029	3.72%	$ 697,415
Term loans	December 21, 2016 – October 30, 2020	6.04%	323,437
Total fixed rate debt			**$ 1,020,852**
Variable rate			
Mortgage debt	June 1, 2017 - August 1, 2017	5.65%	$ 63,685
Margin facilities	December 31, 2016 - August 23, 2018	6.08%	48,717
Acquisition facility	January 1, 2017	8.20%	23,492
Secured floating rate revolving credit facility	March 25, 2016 – November 2, 2017	3.27%	96,247
Total variable rate debt			**$ 232,141**
Total debt			**$ 1,252,993**

(In thousands of Canadian dollars, except per unit amounts)

15. Mortgages and Loans Payable (continued)

As at December 31, 2015, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Margin Facilities	Term Loans	Acquisition Facility	Credit Facility	Total
2016	$ 43,640	$ 39,994	$ 56,058	$ –	$ 25,000	**$ 164,692**
2017	142,311	–	–	–	71,500	**213,811**
2018	103,965	–	–	24,000	–	**127,965**
2019	77,968	8,845	165,431	–	–	**252,244**
2020 & thereafter	379,874	–	105,176	–	–	**485,050**
	747,758	48,839	326,665	24,000	96,500	**1,243,762**
Financing costs	(2,923)	(122)	(3,228)	(508)	(253)	**(7,034)**
Mark-to-market adjustment	16,265	–	–	–	–	**16,265**
	$ 761,100	$ 48,717	$ 323,437	$ 23,492	$ 96,247	**$ 1,252,993**

16. Deferred Consideration

The following table summarizes the deferred consideration payable:

As at	**December 31, 2015**	December 31, 2014
Holdback payable - Brazil (i)	**$ 27,428**	$ 33,060
Accrued transaction costs - Brazil	**6,433**	8,024
Holdback payable - Germany (ii)	**212**	196
	$ 34,073	$ 41,280

(i) In connection with the acquisition of three hospitals from Rede D'Or (the "Rede D'Or Hospital Acquisition") on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complies with conditions related to certain title and zoning matters.

On October 17, 2014, the purchase and sale agreement with respect to the Rede D'Or Hospital Acquisition was amended to extend the payment date of the holdback related to Hospital Caxias D'Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) to the payment date, the holdback will be adjusted by the variation of the CDI plus 7.34% annually. The amendment provides that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be limited to nil between January 15, 2015 and the date the vendor conditions are resolved. On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved. As such, since January 15, 2015, no inflation adjustment has been recognized in respect of the holdback. On October 16, 2015 the REIT was notified that the vendor conditions were resolved and therefore the holdback is now payable on April 15, 2016 and the REIT has accrued inflation for the period from October 16, 2015 to December 31, 2015.

For the year ended December 31, 2015, accretion expense of $970 (December 31, 2014 - $3,775) was recorded to account for the related CDI adjustments on the holdbacks payable which has been recorded as finance costs in the consolidated statement of income (loss) and comprehensive income (loss).

(In thousands of Canadian dollars, except per unit amounts)

16. Deferred Consideration (continued)

(ii) In connection with the acquisition of the Hohenschoenhausen property in Germany on August 29, 2014, the REIT held back a portion of the purchase price for potential working capital adjustments and information deficiencies. Settlement of the holdback is currently being negotiated and is expected to be settled in the next 12 months.

17. Convertible Debentures

In connection with the Combination Transaction (note 5) the NWI's convertible debentures, previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT. These convertible debentures ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015. The conversion provisions for each series of debentures were adjusted whereby the series NWH.DB.A convertible debentures are convertible at a price of $13.70 per unit being a ratio of 72.9927 per $1,000 principal amount of debentures, the series NWH.DB.B convertible debentures are convertible at a price of $11.54 per unit being a ratio of 86.6551 per $1,000 principal amount of debentures, and the series NWH.DB.C convertible debentures are convertible at a price of $12.50 per unit being a ratio of 80.0000 per $1,000 principal amount of debentures.

On October 9, 2015, and on November 5, 2015 pursuant to the exercise of the over-allotment option, the REIT issued $53,000 principal amount of unsecured convertible subordinated debentures (the "Series NWH.DB.D Debentures"). The Series NWH.DB.D Debentures bear interest at 5.50% per annum, payable semi-annually on April 30 and October 31 each year, and mature on October 31, 2020. Each Series NWH.DB.D Debenture is convertible at any time by the debenture holder into 88.8889 REIT Units per one thousand dollars of face value, representing a conversion price of $11.25 per REIT Unit. On and after October 31, 2018, and prior to October 31, 2019, the Series NWH.DB.D Debentures may be redeemed by the REIT, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted average trading price for the REIT's Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On and after November 1, 2019 and prior to the maturity date of October 31, 2020, the Series NWH.DB.D Debentures may be redeemed by the REIT at a price equal to the principal amount plus accrued and unpaid interest.

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

	December 31, 2015	December 31, 2014
Balance, beginning of the year	**$ 71,920**	$ 35,423
Issuance of convertible debentures	**53,000**	38,750
Convertible debentures assumed on Combination Transaction (note 5)	**41,244**	–
Increase (decrease) in fair value of convertible debentures	**3,930**	(2,253)
Balance, end of the year	**$ 170,094**	$ 71,920

(In thousands of Canadian dollars, except per unit amounts)

17. Convertible Debentures (continued)

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, 2015**	December 31, 2014
Series NWH.DB	**$ 39,043**	$ –
Series NWH.DB.A (formerly MOB.DB)	**22,826**	20,343
Series NWH.DB.B (formerly MOB.DB.A)	**17,535**	17,477
Series NWH.DB.C (formerly MOB.DB.B)	**38,750**	34,100
Series NWH.DB.D	**51,940**	–
	$ 170,094	$ 71,920

	Series NWH.DB	**Series NWH.DB.A (formerly MOB.DB)**	**Series NWH.DB.B (formerly MOB.DB.A)**	**Series NWH.DB.C (formerly MOB.DB.B)**	**Series NWH.DB.D**
Conversion price per Unit ($)	$14.20	$13.70	$11.54	$12.50	$11.25
Maturity	September 30, 2020	March 31, 2018	September 30, 2018	October 31, 2019	October 31, 2020
Interest rate	5.25%	6.50%	7.50%	7.25%	5.50%
Interest payment	Semi-annual	Semi-annual	Semi-annual	Semi-annual	Semi-annual
Interest payment dates	March 31 and September 30	March 31 and September 30	March 31 and September 30	April 30 and October 31	April 30 and October 31

(In thousands of Canadian dollars, except per unit amounts)

18. 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, as follows:

Year Ended December 31,		**2015**		2014
Current income tax	**$**	**2,684**	$	269
Deferred income tax, relating to origination of temporary differences		**39,837**		11,272
	$	**42,521**	$	11,541

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:

As at		**December 31, 2015**		December 31, 2014
Deferred tax liability related to difference in tax and book basis of:				
Investment properties	**$**	**84,446**	$	20,747
Mortgage and loans payables		**6,380**		–
Unit based compensation liability		**237**		–
Other assets		**14**		–
Total deferred income tax liabilities	**$**	**91,076**	$	20,747
Deferred tax asset related to difference in tax and book basis of:				
Derivative financial instruments	$	**954**	$	–
Other liabilities		**2,489**		–
Total deferred income tax assets	**$**	**3,443**	$	–
Net deferred income tax liability	**$**	**87,633**	$	20,747

(In thousands of Canadian dollars, except per unit amounts)

18. Income Taxes (continued)

Reconciliation of effective tax rate:

Year Ended December 31,		2015		2014
Income (loss) before income taxes	**$**	**259,946**	$	(15,137)
Income tax expense calculated at the domestic rates applicable to profits in the country concerned		**45,502**		(15,137)
Increase (decrease) resulting from				
Tax exempt income		**(3,938)**		–
Current-year losses for which no deferred tax asset is recognized		**5,067**		5,961
Other		**(4,110)**		540
Income taxes	**$**	**42,521**	$	11,541

19. Derivative Financial Instruments

(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 derivative financial instrument liability relates to interest rate swaps with a value of $18,425 (December 31, 2014 - $2,894).

The REIT has entered into interest rate swap contracts with respect to a margin facility secured by the Vital Trust units (note 15(b)), certain Canadian and German mortgages (note 15(a)) and the Vital Trust and Brazil term loans (note 15(c)). The interest rate derivatives mature over the next six months to 10 years and have fixed interest rates ranging from 2.13% to 10.30%.

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

Year Ended December 31,		2015		2014
Fair value adjustment - interest rate swaps	**$**	**(754)**	$	(3,209)
Receipts/(payments) under hedging foreign exchange contracts		**421**		–
Fair value adjustment - foreign exchange contracts		**(71)**		–
	$	**(404)**	$	(3,209)

(In thousands of Canadian dollars, except per unit amounts)

20. Deferred Unit Plan ("DUP") Liability

In connection with the Combination Transaction, the combined entity adopted the REIT's DUP which 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.

In connection with the Internalization Transaction (note 3), NWI adopted a second amended and restated deferred unit plan (the "Amended Plan"). The Amended Plan provided for the issuance of up to 17,898,368 NWI Trust units (approximately 10% of the issued and outstanding voting units of NWI at the time), which was an increase from the 2,021,909 NWI Trust units reserved for issuance under NWI's previous deferred unit plan (the "Previous Plan"). As a result of the REIT terminating all external asset management agreements in connection with the Internalization Transaction (note 3), and having previously terminated its unit option plan, the Amended Plan was NWI's only equity-based compensation plan.

As part of the Internalization Transaction, the REIT issued 3,989,735 deferred units of NWI to the new employees of the REIT. Of these, 1,711,412 NWI deferred units were fully vested and the balance is subject to future vesting conditions. Following the Internalization Transaction, the REIT issued an additional NWI 5,764,494 deferred units to new employees as future equity incentives (all of which are subject to vesting conditions) and 75,000 NWI deferred units to the REIT's independent trustees in recognition of their efforts on behalf of the special committee that was formed for considering and negotiating the Internalization Agreement on behalf of the REIT.

The REIT also assumed the deferred unit plan liabilities of the Vital Manager through the Internalization Transaction (note 3). On closing of the Internalization Transaction, the REIT assumed 813,637 unvested deferred units of Vital Trust.

In connection with the Combination Transaction, the NWI's deferred units outstanding immediately prior to the transaction, were exchanged at a ratio of 0.208 of a REIT deferred unit for each deferred unit. In total, 10,562,434 NWI deferred units were converted to 2,196,979 deferred units of the REIT on May 15, 2015. The REIT may not issue any additional deferred units under this former NWI deferred unit plan. The outstanding Vital Trust deferred units did not get exchanged and continue to be redeemable (upon vesting) into units of Vital Trust.

(a) Liability:

	December 31, 2015	December 31, 2014
Balance, beginning of the year	**$ 457**	$ 370
Liability assumed on Internalization Transaction (note 3)	**3,596**	–
Liability assumed on Combination Transaction (note 5)	**2,704**	–
Unit-based compensation expense	**11,179**	221
Exercised and paid in cash	**(817)**	(120)
Exercised and paid in REIT units	**(1,048)**	–
Fair value adjustment	**(513)**	(14)
Foreign exchange	**39**	–
Balance, end of the year	**$ 15,597**	$ 457

At December 31, 2015, the balance of the DUP liability related to the REIT's DUP is $14,919 and $678 is related to Vital Trust's DUP (December 31, 2014 - $457 related to the REIT).

(In thousands of Canadian dollars, except per unit amounts)

20. Deferred Unit Plan ("DUP") Liability (continued)

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:

December 31, 2015	REIT	Vital Trust
Balance, beginning of the year	**47,577**	**–**
Assumed on Internalization Transaction (note 3)	**829,865**	**813,637**
Assumed on Combination Transaction (note 5)	**409,222**	**–**
Granted	**1,272,626**	**144,116**
Exercised and paid in cash	**(98,861)**	**–**
Exercised and paid in REIT units	**(130,245)**	**–**
Distribution entitlement	**256,425**	**44,827**
Balance, end of year	**2,586,609**	**1,002,580**
Units vested but not exercised, end of year	**395,682**	**40,030**

December 31, 2014	REIT	Vital Trust
Balance, beginning of the year	38,105	–
Granted	16,977	–
Exercised and paid in cash	(12,296)	–
Distribution entitlement	4,791	–
Balance, end of year	47,577	–
Units vested but not exercised, end of year	47,577	–

For the year ended December 31, 2015, the REIT granted or issued 1,272,626 DUP units with a value of $12,340 (December 31, 2014 – 16,977 DUP units with a fair value of $172).

For the year ended December 31, 2015, Vital Trust granted or issued 144,116 DUP units with a value of $217 (December 31, 2014 - nil).

(In thousands of Canadian dollars, except per unit amounts)

21. Class B and Class D Exchangeable Units

The Class B and Class D 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 and Class D exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

The following table summarizes the Class B and Class D exchangeable unit liability:

As at		**December 31, 2015**		December 31, 2014
Class B exchangeable units (i)	**$**	**169,653**	$	182,137
Class D exchangeable units (ii)		**–**		2,221
	$	**169,653**	$	184,358

(i) Class B Exchangeable Units

As at December 31, 2015, there were 18,998,065 Class B exchangeable units of NWI LP issued and outstanding with a fair value of $169,653. These 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.

Distributions declared on the Class B exchangeable units of NWI LP totaled $16,986 for the year ended December 31, 2015 (December 31, 2014 - $20,035) 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, 2013	**18,942,211**	**$**	**183,958**
Fair value adjustment of Class B exchangeable units	–		(1,821)
Balance, December 31, 2014	**18,942,211**	**$**	**182,137**
Conversion of Class D to Class B exchangeable units (note 21(ii))	245,852		2,366
Converted to trust units (note 22)	(189,998)		(1,649)
Fair value adjustment of Class B exchangeable units	–		(13,201)
Balance, December 31, 2015	**18,998,065**	**$**	**169,653**

(In thousands of Canadian dollars, except per unit amounts)

21. Class B and Class D Exchangeable Units (continued)

(ii) Class D Exchangeable Units

Distributions declared on the Class D exchangeable units of NWI LP totaled nil for the year ended December 31, 2015 (2014 - $184) and have been accounted for as finance costs.

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

	Units	Amount
Balance, December 31, 2013	**–**	**$ –**
Units issued as settlement of Class C Amount	393,342	4,104
Converted to REIT units	(162,342)	(1,689)
Fair value adjustment of Class D exchangeable units	–	(194)
Balance, December 31, 2014	231,000	**$** 2,221
Units issued for settlement of estimated Class C Amount	14,852	145
Conversion of Class D to Class B exchangeable units	(245,852)	(2,366)
Balance, December 31, 2015	–	$ –

22. 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.

(In thousands of Canadian dollars, except per unit amounts)

22. Unitholders' Equity (continued)

The REIT's Trustees have discretion in declaring distributions.

The following table shows the changes in REIT Units:

	REIT units	Amount
Balance - December 31, 2013	**11,435,504**	**$ 90,504**
Units issued pursuant to equity offering (i)	5,413,321	54,705
Units issued pursuant to exercise of warrants (ii)	624,000	7,342
Unit issue costs - cash (i) and (ii)	–	(4,555)
Units issued through distribution reinvestment plan (iii)	102,776	1,016
Conversion of Class D exchangeable units (note 21(ii))	162,342	1,689
Asset management fees paid in units (iv)	317,452	3,288
Balance - December 31, 2014	**18,055,395**	**$ 153,989**
Units issued on Combination Transaction (note 5)	34,936,028	302,197
Units issued through distribution reinvestment plan (iii)	420,229	3,394
Conversion of Class B exchangeable units (note 21)	189,998	1,649
Units issued under deferred unit plan (note 20)	128,921	1,028
Asset management fees paid in units (v)	29,856	292
Units redeemed on business combination (vi)	(246,384)	(2,593)
Units cancelled pursuant to NCIB (vii)	(822,100)	(6,648)
Balance - December 31, 2015	**52,691,943**	**$ 453,308**

(i) On January 14, 2014, the REIT announced that pursuant to the December 2013 equity offering, the underwriters partially exercised the overallotment option and 177,230 additional units of the REIT (852,070 NWI Trust units at the 0.208 conversion ratio) were issued at a price of $2.00 per unit for gross proceeds of $1,704. Costs associated with the exercise of the overallotment option in January 2014 totaled $85 which have been charged directly to equity.

On May 21, 2014, the REIT closed an equity offering of 2,333,659 REIT units (11,219,513 NWI Trust units at the 0.208 conversion ratio). The REIT units were issued at a price of $2.05 per Trust Unit, for gross proceeds of $23,000, which included the exercise of the over-allotment option in full. Costs associated with the equity offering in May 2014 totaled $1,880 which have been charged directly to equity.

On November 25, 2014, the REIT closed an equity offering of 2,902,432 REIT units (13,954,000 NWI Trust units at the 0.208 conversion ratio). The REIT units were issued at a price of $2.15 per Trust Unit, for gross proceeds of $30,001. Costs associated with the equity offering in November 2014 totaled $2,018 which have been charged directly to equity.

(ii) On September 2, 2014, the REIT received notice from the holder in respect of the early exercise of the 624,000 (3,000,000 NWI warrants at the 0.208 conversion ratio) warrants. The warrants were exercised at a price of $2.15 for total cash proceeds to the REIT of $6,450. At the time of exercise, the REIT had a liability associated with the warrant liability in the amount of $892. Upon exercise of the warrants, the liability was charged directly to equity. Costs associated with the exercise of the warrants totaled $571 which have been charged directly to equity.

22. Unitholders' Equity (continued)

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

(iv) During the year ended December 31, 2014, the REIT issued 317,452 REIT units (1,526,212 NWI Trust units at the 0.208 conversion ratio) to settle outstanding asset management fees owing to a subsidiary of NWVP (note 22).

(v) During the year ended December 31, 2015, the REIT issued 29,856 REIT units (143,538 NWI Trust units at the 0.208 conversion ratio) to settle outstanding asset management fees owing to a subsidiary of NWVP (note 24).

(vi) In connection with the Combination Transaction (note 5), the REIT received notices of dissent from unitholders. As such, 1,184,526 NWI trust units (an equivalent of 246,384 REIT units) were cancelled and accordingly a liability equal to the fair market value of the units on the date prior to the closing of the Combination Transaction had been accrued. A settlement with the dissenting unitholders was achieved and the related liability was settled prior to December 31, 2015. An additional 14,560 REIT units were also cancelled for those NWI units converted upon Combination Transaction but notices of dissent from unitholder had been previously received.

(vii) 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.

Pursuant to the NCIB, the REIT intends to acquire up to a maximum of 4,762,579 of its Units, or approximately 10% of its public float as of July 10, 2015, for cancellation over the next 12 months.

Purchases under the normal course issuer bid are made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per Unit representative of the market price at the time of acquisition. The number of Units that can be purchased pursuant to the bid is subject to a current daily maximum of 18,054 Units (which is equal to 25% of 72,218, being the average daily trading volume from January 1, 2015 through to June 30, 2015), subject to the REIT's ability to make one block purchase of Units per calendar week that exceeds such limits. Any Units purchased under the normal course issuer bid will be cancelled upon their purchase. The REIT intends to fund the purchases out of its available resources.

The REIT began to purchase Units on July 16, 2015 and the bid will terminate 12 months from such date, or such earlier time as the REIT completes its purchases pursuant to the bid or provides notice of termination.

The REIT also announced that it adopted an automatic securities purchase plan in connection with its NCIB that contains strict parameters regarding how its Units may be repurchased during times when it would ordinarily not be permitted to purchase Units due to regulatory restrictions or self-imposed blackout periods. The automatic securities purchase plan was effective from July 16, 2015 and had an initial term of three months, which expired on October 16, 2015. The automatic securities purchase plan was reinstated, with an effective date of December 3, 2015, for a period ending February 15, 2016.

During the year ended December 31, 2015, the REIT made repurchases of 822,100 units at a weighted average price per unit of $8.03 (December 31, 2014 - nil).

(In thousands of Canadian dollars, except per unit amounts)

23. Supplemental Cash Flow Information

(a) Changes in Non-Cash Working Capital Balances

Year Ended December 31,		2015		2014
Accounts receivable	$	934	$	229
Other assets		(7,339)		383
Accounts payable and accrued liabilities		1,435		1,001
	$	(4,970)	$	1,613

(b) Non-Cash Financing and Investing Activities

Year Ended December 31,		2015		2014
Supplemental disclosure relating to non-cash financing and investing activities:				
Non-cash business combination (note 3)	$	33,158	$	–
Non-cash acquisition of control (note 4)	$	241,912	$	–
Non-cash business combination (note 5)	$	302,197	$	–
Asset management fees settled through issuance of units (note 22)	$	292	$	3,288
Non-cash distributions to Unitholders under the DRIP (note 22)	$	3,394	$	1,016
Conversion of Class B exchangeable units to REIT units (note 21 and 22)	$	1,649	$	–
Issuance of Class D exchangeable units (note 21)	$	–	$	4,104
Conversion of Class D exchangeable units to REIT units (note 21)	$	–	$	1,689

24. Related Party Transactions

(a) As at December 31, 2015, NWVP indirectly owned approximately 34% of the outstanding REIT units (approximately 29% 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. Bernard Crotty, a Trustee of the REIT, served as Senior Vice-President of NWVP up to December 31, 2014. Teresa Neto, Chief Financial Officer of the REIT, served as Chief Financial Officer of NWVP up to December 31, 2014.

(b) Prior to January 28, 2015, The REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates agreed to act as Property Manager, Asset Manager and Development Manager for the REIT.

The Asset Manager was entitled to receive a base annual management fee calculated and payable on a monthly basis, equal to 0.50% of the sum of (i) the historical purchase price of the REIT's assets, and (ii) the cost of any capital expenditures incurred by the REIT or its affiliates in respect of the assets subject to the Asset Management Agreement. The foregoing amounts were payable, at the option of the Asset Manager, in either cash, deferred units (which would vest immediately), trust units or securities of the REIT or its subsidiaries that may be convertible into trust units.

24. Related Party Transactions (continued)

Pursuant to the Asset Management Agreement, the REIT reimbursed the Asset Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Asset Manager in connection with the performance of the services under the Asset Management Agreement, including, but without limitation, the costs and expenses incurred by the Asset Manager for travel, lodging and reasonable and necessary costs for experts and consultants reasonably required by the Asset Manager and approved by the REIT.

Pursuant to the Property Management Agreement, the Property Manager was entitled to receive a market-based management fee for each property as appropriate for the specific properties and specific markets the properties are located in, which fee may include compensation for building operations, property administration, leasing, construction management and any other reasonable property management service that is required in the context of managing the properties.

The REIT also entered into an agreement whereby an affiliate of NWVP agreed to pay the REIT, in consideration for certain management services rendered, a fee equal to the difference between all management fees paid by Vital Trust to NWVP (or any of its wholly-owned subsidiaries) and the amount that Vital Trust would have paid should it have been wholly-owned and subject to the REIT's Asset Management Agreement described above (the "Management Fee Participation Agreement"). NWVP's management arrangements with Vital Trust provides for a base management fee of 0.75% (as opposed to the 0.50% payable under the Asset Management Agreement), as well as an opportunity to earn certain transaction fees and an incentive fee.

An affiliate of NWVP served as general partner of NWI LP, and in such capacity was entitled to an annual incentive fee payment based on Gross All In Returns (being distributions plus the growth of the REIT's net asset value), referred to as the "Class C Amount". The Class C Amount was equal to (i) 15% of Gross All In Return in excess of 8%, and (ii) 20% of Gross All In Return in excess of 12%.

For purposes of the Class C Amount, "Gross All In Return" meant the annual increase in the REIT's net asset value of the REIT over the relevant year. The increase was measured between the first and last days of each year. Should there have been a distribution of capital, such distribution would be added back for the purposes of this calculation. Should there been any issuances of capital during the year, such amounts would be excluded for the purposes of this calculation. The REIT's net asset value (for purpose of determining excess Gross All In Return) would be subject to a three year trailing "high water mark".

On January 28, 2015, the REIT completed the Internalization Transaction with NWVP with an effective date of January 1, 2015. The Internalization Transaction resulted in the REIT terminating the asset management, property management and development functions of the REIT currently carried on by affiliates of NWVP as noted above. See note 3.

(In thousands of Canadian dollars, except per unit amounts)

24. Related Party Transactions (continued)

The following table summarizes the related party transactions with NWVP and its subsidiaries related to the Asset Management Agreement, Property Management Agreement, Development Agreement, Management Fee Participation Agreement and cost-sharing and sublease agreements with the REIT, during the current and prior year:

Year Ended December 31,	2015	2014
Base asset management fees [1]	$ –	$ 3,319
Property management fees	–	991
Management fee participation	–	(2,372)
Reimbursement of out-of-pocket costs - completed transactions	743	1,412
Cost-sharing and sublease agreements	248	–
	$ 991	$ 3,350

[1] During the year ended December 31, 2015, the REIT issued 29,856 units to settle outstanding asset management fees owing to a subsidiary of NWVP relating to the fiscal year ending December 31, 2014 (December 31, 2014 - 317,452 (1,526,212 NWI Trust units at the 0.208 conversion ratio)).

(c) To provide the REIT with an effective economic return on the working capital and closing adjustment receivable (note 11(i)), NWVP has agreed to pay interest of $305 for the year ended December 31, 2015 (December 31, 2014 - $1,360).

(e) At December 31, 2015, 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, 2014 - $13,377), which were settled subsequent to year end.

(f) Key Management Compensation

Compensation for the REIT's key management personnel was as follows:

Year Ended December 31,	2015	2014
Short-term compensation	$ 2,308	$ 337
Unit-based incentives [1]	–	1,672
Unit-based long-term incentives [2]	259	9,816
	$ 2,567	$ 11,825

[1] Deferred units granted that are fully vested and redeemable.

[2] Deferred units granted vest over two or five years, depending on the grant. For deferred units vesting over two years, one-half of the deferred units vest each year. For the deferred units vesting over five years, 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.

(In thousands of Canadian dollars, except per unit amounts)

24. Related Party Transactions (continued)

Key management personnel of the REIT include the Trustees and the Chief Executive Officer, Chief Financial Officer, President & Chief Investment Officer, Executive Vice President and General Counsel, President, Canada, Managing Director, Germany, Managing Director, Brazil and Chief Executive Officer, Vital. Compensation expense $337 relating to the Chief Executive Officer, Co-President, Chief Financial Officer, and the Co-President & Chief Investment Officer were provided by a subsidiary of NWVP under the REIT's asset management arrangements, up until December 31, 2014.

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

25. Employee Benefits Expense

Year Ended December 31,		**2015**		2014
Short-term employee benefits	$	15,538	$	–
Unit-based compensation expense (note 20)		9,772		–
	$	25,310	$	–

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

For the year ended December 31, 2015, total short-term employee benefits of $6,958 (2014 – $nil) are included in ‘Property operating costs’ and $6,646 (2014 – $nil) are included in ‘General and administrative expenses’. During the year ended December 31, 2015, the REIT capitalized $1,934 of employee benefits to investment properties (2014 - nil).

26. Segmented Information

The REIT operated in one industry segment being the real estate industry segment; however the REIT monitors and operates its German, Brazilian, Canadian and Australia/New Zealand 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 corporate 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, 2015, two tenants in the Brazil operating segment accounted for 15% (December 31, 2014 - 79%) of the total revenue from investment properties.

As at December 31, 2015		Germany		Brazil		Australia/ New Zealand		Canada		**Total**
Investment properties	**$**	**159,817**	**$**	**343,724**	**$**	**792,958**	**$**	**1,195,336**	**$**	**2,491,835**
Investment in associates	**$**	**–**	**$**	**–**	**$**	**–**	**$**	**–**	**$**	**–**
Mortgages and loans payable	**$**	**82,833**	**$**	**54,128**	**$**	**269,309**	**$**	**846,723**	**$**	**1,252,993**

As at December 31, 2014		Germany		Brazil		Australia/ New Zealand		Canada		Total
Investment properties	$	137,980	$	386,251	$	–	$	–	$	524,231
Investment in associates	$	–	$	–	$	117,703	$	138,227	$	255,930
Mortgages and loans payable	$	75,554	$	176,309	$	46,334	$	90,115	$	388,312

(In thousands of Canadian dollars, except per unit amounts)

26. Segmented Information (continued)

Year ended December 31, 2015		**Germany**		**Brazil**		**Australia/ New Zealand**		**Canada**		**Total**
Operating Income (Loss)										
Net Operating Income										
Revenue from investment properties	$	**13,155**	$	**30,611**	$	**60,746**	$	**94,448**	$	**198,960**
Property operating costs		**3,935**		**–**		**6,996**		**42,068**		**52,999**
		9,220		**30,611**		**53,750**		**52,380**		**145,961**
Other Income										
Interest		**–**		**434**		**133**		**345**		**912**
Share of profit (loss) of associates		**–**		**–**		**–**		**2,153**		**2,153**
		–		**434**		**133**		**2,498**		**3,065**
Expenses										
Mortgage and loan interest expense		**1,745**		**13,063**		**11,545**		**37,944**		**64,297**
General and administrative expenses		**2,292**		**2,633**		**5,166**		**15,030**		**25,121**
Transaction costs		**301**		**–**		**–**		**10,009**		**10,310**
Amortization of intangible asset		**–**		**–**		**–**		**–**		**–**
Foreign exchange loss (gain)		**2**		**(141)**		**36**		**2,294**		**2,192**
		4,340		**15,555**		**16,748**		**65,277**		**101,920**
Operating income (loss)	**$**	**4,880**	**$**	**15,490**	**$**	**37,135**	**$**	**(10,399)**	**$**	**47,106**

Year ended December 31, 2014		Germany		Brazil		Australia/ New Zealand		Canada		Total
Operating Income (Loss)										
Net Operating Income										
Revenue from investment properties	$	9,135	$	34,949	$	–	$	–	$	44,084
Property operating costs		2,654		–		–		–		2,654
		6,481		34,949		–		–		41,430
Other Income										
Interest		–		409		–		1,404		1,813
Management fee participation		–		–		2,372		–		2,372
Share of profit (loss) of associate		–		–		7,707		(5,680)		2,027
		–		409		10,079		(4,276)		6,212
Expenses										
Mortgage and loan interest expense		1,442		12,592		3,316		11,963		29,313
General and administrative expenses		103		2,758		–		4,970		7,831
Transaction costs		–		–		–		–		–
Amortization of intangible asset		–		–		–		1,561		1,561
Foreign exchange loss (gain)		1		(434)		–		1,548		1,115
		1,546		14,916		3,316		20,042		39,820
Operating income (loss)	$	4,935	$	20,442	$	6,763	$	(24,318)	$	7,822

27. Contingent Liabilities

(a) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of $3,356 to provide electricity and gas for its own use at its investment properties for 2016 to 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, 2015, the REIT has a total of $906 in outstanding letters of credit 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 (two of which were disposed prior to the Combination Transaction), the existing mortgages were assumed by the purchasers. In the event of default, the REIT has guaranteed the outstanding balance of the mortgages of $13,204 as at December 31, 2015.

(d) The REIT has entered into construction agreements on development properties and is committed to construction costs of $18,566 as at December 31, 2015.

(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.

28. Fair Values

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

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

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

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

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

(In thousands of Canadian dollars, except per unit amounts)

28. Fair Values (continued)

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.

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, 2015 is as follows:

		Fair Value		
	Carrying Value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	$ 2,491,835	$ –	$ –	$ 2,491,835
Derivative financial instruments	8,506	–	8,506	–
Assets held for sale	78,194	–	–	78,194
Liabilities measured at fair value:				
Derivative financial instruments	18,425	–	18,425	–
Convertible debentures	170,094	170,094	–	–
Class B and Class D exchangeable units	169,653	169,653	–	–
Deferred unit plan liability	15,597	15,597	–	–
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable	1,252,993	–	1,269,191	–
Liabilities associated with assets held for sale	52,674	–	52,850	–

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, 2014 is as follows:

		Fair Value		
	Carrying Value	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value:				
Investment properties	$ 524,230	$ –	$ –	$ 524,230
Liabilities measured at fair value:				
Derivative financial instruments	2,894	–	2,894	–
Convertible debentures	71,920	71,920	–	–
Class B and Class D exchangeable units	184,358	184,358	–	–
Deferred unit plan liability	457	457	–	–
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable	388,312	–	396,052	–

(In thousands of Canadian dollars, except per unit amounts)

29. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B and Class D 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 unsecured debt which includes convertible debentures.

At December 31, 2015, the REIT is in compliance with its debt-to-gross book value ratio of the Declaration of Trust at 49.2% (December 31, 2014 - 51.6%). The debt-to-gross book value including convertible debentures is 55.5% (December 31, 2014 - 60.1%). Calculations are as follows:

As at	**December 31, 2015**	December 31, 2014
Debt		
Gross value of secured debt [(1)]	**$ 1,329,514**	$ 436,432
Gross value of total debt [(2)]	**$ 1,499,608**	$ 508,351
Gross Book Value of Assets		
Total assets	**$ 2,700,009**	$ 846,271
Debt-to-Gross Book Value (Declaration of Trust)	**49.2%**	51.6%
Debt-to-Gross Book Value (including convertible debentures)	**55.5%**	60.1%

(1) represents the principal balance of mortgages, margin facilities, term loan, line of credit and deferred consideration.

(2) represents the principal balance of mortgages, margin facilities, term loan, line of credit, convertible debentures (at fair value) and deferred consideration.

The REIT's capital management is also impacted by various financial covenants in certain loan agreements. As at December 31, 2015, the REIT is in compliance with all such financial covenants.

30. 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.

<u>Credit Risk</u>

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, except per unit amounts)

30. Risk Management (continued)

Credit Risk (continued)

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, 2015:

	Accounts Receivable	Due from Related Parties	**Total**
Less than 30 days	$ 629	$ (29)	**$ 600**
31 to 60 days	513	–	**513**
61 to 90 days	19	–	**18**
More than 90 days	678	1,765	**2,443**
Total billed	1,839	1,736	**3,575**
Unbilled	2,080	–	**2,080**
	$ 3,919	$ 1,736	**$ 5,655**

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 in 2016 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, except per unit amounts)

30. Risk Management (continued)

Liquidity Risk (continued)

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 flow	2016	2017	2018	2019	2020	Thereafter
Accounts payable and accrued liabilities	$ 45,020	$ 45,020	$ 45,020	$ –	$ –	$ –	$ –	$ –
Income taxes payable	7,373	7,373	7,373	–	–	–	–	–
Distributions payable	3,513	3,513	3,513	–	–	–	–	–
Liabilities related to assets held for sale	52,674	52,674	52,674	–	–	–	–	–
Mortgages and loans payable	1,252,993	1,364,660	193,988	238,102	147,375	267,739	197,433	320,023
Deferred consideration	34,073	34,073	34,073					
Convertible debentures	170,094	213,909	8,439	10,619	49,985	46,588	98,278	–
Total	$ 1,565,740	$ 1,721,222	$ 345,080	$ 248,721	$ 197,360	$ 314,327	$ 295,711	$ 320,023

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, 2015, $233,024 (December 31, 2014 - $138,092) of the REIT's debt associated with investment properties and investment in associate 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 $2,330 annually with all other variables held constant (December 31, 2014 - $1,381).

Currency Risk

The REIT has operating subsidiaries in Germany, Brazil, and New Zealand (with operating subsidiaries in Australia translated into New Zealand dollars), and therefore, 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.

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:

Year Ended December 31,	**2015**	2014
Germany	**$ (908)**	$ (1,206)
Brazil	**$ (4,485)**	$ (894)
New Zealand	**$ (13,589)**	$ (1,008)

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.

30. Risk Management (continued)

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 margin facilities. The market price for the REIT's trust units, the REIT's convertible debentures, and the units of NWHP REIT and 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 NWHP REIT and 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 margin facilities.

31. Subsequent Events

(i) On January 14, 2016, the REIT declared a distribution of $0.06667 per Trust Unit to unitholders of record on January 29, 2016, payable February 16, 2016. On February 16, 2016, the REIT declared a distribution of $0.06667 per Trust Unit to unitholders of record on February 29, 2015, payable March 15, 2016. On March 10, 2016 the REIT declared a distribution of $0.06667 per Trust Unit to unitholders of record March 31, 2016.

(ii) On January 25, 2016, the REIT entered into an agreement for the sale-leaseback of an investment property currently used as a parking garage located in Canada. The investment property will be sold for $20,000 upon satisfaction of conditions under the agreement and then leased back for an initial lease term that expires the earlier of five years from closing date or commencement of demolition of the site by the purchaser. Once the purchaser completes development of the site, the agreement requires the REIT to buy-back a portion of the parking facility for a purchase price that is to be determined based on costs to construct, and requires the purchaser to sever and deliver to the REIT a specified amount of parking spaces.

(iii) On January 20, 2016, Vital Trust acquired two small parcels of land at Sportsmed Private Hospital in Adelaide, South Australia for $5,243 (A$5,200) and will undertake construction of a $9,578 (A$9,500) stand-alone medical consulting building at one of the properties.

(iv) On January 26, 2016, the REIT completed the sale of six of the thirteen Canadian investment properties that it held for sale as at December 31, 2015. The REIT completed the sale of two additional investment properties that it held for sale on March 1, 2016 and March 9, 2016 respectively. Total gross proceeds of $49,350 were generated from the dispositions. As part of the transactions, $31,902 of mortgage debt associated with the properties were repaid or assumed by the purchaser.

(v) On March 1, 2016, Vital Trust settled the acquisition of four residential aged care assets in Australia for $39,569 (A$41,000). The properties will be leased for 20 years to the Hall & Prior Health and Aged Care Group, one of Australia's leading private residential aged care operators.

(vi) On February 18, 2016, the Ontario Ministry of Finance published amendments to regulation 70/91 to the Land Transfer Act (Ontario) that may impact the transfers of partnership interests in prior fiscal years. The REIT is currently evaluating the impact of the amendments to its consolidated financial statements

(vii) In February, 2016 the REIT entered into an agreement to acquire a two-property medical office complex in Berlin, Germany (the "Mehrower Allee complex") for a gross purchase price of $20,450 (€13,519). The REIT expects to close the acquisition in the second quarter of 2016 and expects to finance the purchase through a new first mortgage of approximately $16,940 (€11,200) from a German lending institution and through internal resources. The acquisition is subject to customary closing conditions.

31. Subsequent Events (continued)

(viii) On February 29, 2016 the REIT refinanced the mortgage outstanding on its Wentworth-Limeridge Medical Centre property replacing the existing 5.37% mortgage, with a $8,300 mortgage at 2.75% and a 5 year term, generating net proceeds to the REIT of approximately $2,400.

(ix) On March 10, 2016 the REIT further increased the Revolving Credit Facility to provide for a maximum principal amount of $80,000. In addition, on March 10, 2016 the terms associated with the $25,000 short term tranche was amended, with changes to the mandatory principal repayment provisions and maturity extended to June 30, 2016.

(x) During the period January 1, 2016 to February 15, 2016, the REIT purchased 34,500 trust units pursuant to the NCIB for cancellation at a volume weighted average price per unit of $8.19 before commissions.