



Consolidated Financial Statements and Notes

For the years ended December 31, 2017 and 2016

MANAGEMENT'S REPORT

To the Unitholders of Northview Apartment Real Estate Investment Trust:

The accompanying consolidated financial statements of Northview Apartment Real Estate Investment Trust ("Northview") (formerly Northern Property Real Estate Investment Trust) were prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. The management of Northview is responsible for the integrity and objectivity of the information presented in the consolidated financial statements including the amounts based on estimates and judgments. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") appropriate in the circumstances. Financial information contained in Management's Discussion and Analysis is consistent with these consolidated financial statements.

To fulfill its responsibility, Northview maintains appropriate systems of internal control, policies, and procedures to ensure that its' reporting practices and accounting and administrative procedures are of high quality. Northview's internal controls are designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit and Risk Management Committee which is comprised of four independent trustees. The Audit and Risk Management Committee reviews the consolidated financial statements and recommends them for approval to the Board of Trustees. The consolidated financial statements have been further reviewed by the Board of Trustees of Northview prior to their approval.

Deloitte LLP, the auditors appointed by the Northview unitholders and Class B LP limited partnership unitholders (collectively, "Unitholders"), have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders their opinion on the consolidated financial statements. Their report as auditors is set forth herein. The auditors have direct and full access to the Audit and Risk Management Committee to discuss their audit and related findings.

"Signed"

Todd R. Cook
Chief Executive Officer

"Signed"

Travis Beatty
Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Northview Apartment Real Estate Investment Trust:

We have audited the accompanying consolidated financial statements of Northview Apartment Real Estate Investment Trust, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of net and comprehensive income, changes in unitholders' equity, and cash flows for the years then ended, and 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, as issued by the International Accounting Standards Board, 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.

Auditor's 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 the auditor's 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, the auditor considers 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 financial position of Northview Apartment Real Estate Investment Trust as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

A handwritten signature in black ink that reads "Deloitte LLP".

Chartered Professional Accountants
February 27, 2018
Calgary, Alberta

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(thousands of Canadian dollars)

	Note	December 31, 2017	December 31, 2016
Assets			
Non-current assets			
Investment properties	4	3,472,028	3,059,825
Property, plant and equipment	5	41,911	40,282
Investment in joint ventures	6	6,920	6,274
Other long-term assets		5,821	6,150
Loans receivable	7	546	2,190
		3,527,226	3,114,721
Current assets			
Assets held for sale	24	3,861	39,873
Accounts receivable	17(b)(ii)	12,241	9,428
Restricted cash		12,942	11,254
Cash and cash equivalent		10,718	4,148
Prepaid expenses and other assets		5,152	3,187
Loans receivable	7	1,276	3,061
		46,190	70,951
Total Assets		3,573,416	3,185,672
Liabilities			
Non-current liabilities			
Mortgages payable	9	1,511,420	1,500,688
Credit facilities	11	111,700	65,829
Class B LP Units	14(b)	167,049	116,701
Convertible debentures	10	24,839	23,460
Unit based payments	12	664	1,733
		1,815,672	1,708,411
Current liabilities			
Mortgages payable	9	274,736	160,844
Credit facilities	11	89,543	68,013
Trade and other payables		69,027	68,106
Distributions and Class B LP interest payable		7,853	7,571
Liabilities related to assets held for sale	24	-	18,008
Derivative instruments	9	-	1,499
Unit based payments	12	2,586	-
		443,745	324,041
Total Liabilities		2,259,417	2,032,452
Unitholders' equity			
Equity attributable to Unitholders		1,312,875	1,152,010
Non-controlling interests		1,124	1,210
Total Equity		1,313,999	1,153,220
Total Liabilities and Equity		3,573,416	3,185,672

See accompanying notes to the consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF NET AND COMPREHENSIVE INCOME
Years ended December 31
(thousands of Canadian dollars)

	Note	2017	2016
Revenue			
Rental revenue		319,453	313,667
Other revenue		12,462	18,788
		331,915	332,455
Operating expenses		141,735	146,926
Net operating income		190,180	185,529
Other expense (income)			
Financing costs	20	68,053	68,552
Administration		14,738	9,830
Depreciation and amortization		5,025	4,967
Loss on sale of properties		1,668	722
Equity income from joint ventures	6	(847)	(864)
Business combination transaction costs		-	14,579
Fair value (gain) loss	21	(110,824)	10,268
		(22,187)	108,054
Net and comprehensive income		212,367	77,475
Net and comprehensive income attributable to:			
Unitholders		212,221	77,285
Non-controlling interests		146	190
Net and comprehensive income		212,367	77,475

See accompanying notes to the consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY
Years ended December 31
(thousands of Canadian dollars)

	Note	2017	2016
Units			
Balance, January 1		1,157,774	1,053,626
Units issued, net of issuance cost	14	30,206	104,148
Balance, December 31		1,187,980	1,157,774
Retained earnings			
Cumulative net income			
Balance, January 1		360,089	282,804
Net and comprehensive income attributable to Unitholders		212,221	77,285
Balance, December 31		572,310	360,089
Cumulative distributions to Unitholders			
Balance, January 1		(365,853)	(289,134)
Distributions declared to Unitholders		(81,562)	(76,719)
Balance, December 31		(447,415)	(365,853)
Cumulative retained earnings (deficit), December 31		124,895	(5,764)
Equity attributable to Unitholders		1,312,875	1,152,010
Non-controlling interests			
Balance, January 1		1,210	1,810
Net and comprehensive income attributable to NCI		146	190
Distributions to non-controlling interests		(232)	(790)
Balance, December 31		1,124	1,210
Total Unitholders' equity		1,313,999	1,153,220

See accompanying notes to the consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

(thousands of Canadian dollars)

	Note	2017	2016
Operating activities:			
Net and comprehensive income		212,367	77,475
Adjustments:			
Fair value (gain) loss	21	(110,824)	10,268
Mortgage and credit facilities interest expense	20	56,584	59,047
Mortgage and credit facilities interest paid		(56,591)	(59,302)
Interest expense to Class B LP Unitholders	20	9,594	9,822
Distribution interest paid to Class B LP Unitholders	14(c)	(9,594)	(10,093)
Depreciation and amortization		5,025	4,967
Interest expense on convertible debentures	20	1,322	1,324
Interest paid on convertible debentures		(1,322)	(1,328)
Loss on sale of properties		1,668	722
Equity income from joint ventures	6	(847)	(864)
Long-term incentive plan compensation		1,326	654
Changes in non-cash working capital	22	(17,297)	5,018
Cash provided by operating activities		91,411	97,710
Financing activities:			
Proceeds from mortgages		240,703	461,412
Repayment of mortgages		(160,962)	(141,507)
Borrowing (repayment) of credit facilities, net	11	67,401	(349,902)
Distributions paid to Unitholders	14(c)	(81,562)	(75,965)
Settlement of interest rate swap	9	(1,260)	-
Proceeds from unit issuance, net		-	71,066
Distributions to non-controlling interests		(232)	(790)
Cash provided by (used in) financing activities		64,088	(35,686)
Investing activities:			
Acquisition of investment properties and land	4	(147,510)	(5,630)
Capital expenditures on investment properties under development	4	(28,206)	(48,965)
Capital expenditures on investment properties	4	(51,781)	(50,251)
Proceeds from sale of assets and investment properties, net		81,978	47,241
Acquisition of property, plant and equipment	5	(5,050)	(4,218)
Distributions received from equity investees		201	800
Changes in non-cash working capital		1,439	(1,340)
Cash used in investing activities		(148,929)	(62,363)
Net increase (decrease) in cash		6,570	(339)
Cash, beginning of year		4,148	4,487
Cash, end of year		10,718	4,148

See accompanying notes to the consolidated financial statements.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

1. DESCRIPTION OF THE CONSOLIDATED ENTITIES

Northview Apartment Real Estate Investment Trust ("Northview") is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust ("DOT" or the "Trust") dated January 2, 2002, and last amended May 5, 2016, under the laws of the Province of Alberta (and the federal laws of Canada applicable therein). Northview is primarily a multi-family residential real estate investor and operator, providing rental accommodations with a portfolio of approximately 25,000 residential suites in more than 60 markets across eight provinces and two territories. Northview's registered office is located at 200, 6131 6th Street SE, Calgary, Alberta.

Northview is listed on the Toronto Stock Exchange ("TSX") under the symbol "NVU.UN". Northview continues to qualify as a real estate investment trust for tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and approved by the Canadian Accounting Standards Board ("AcSB").

These consolidated financial statements have been prepared on a going concern basis and are presented in Canadian dollars rounded to the nearest thousand except where indicated. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. These consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective years presented.

The consolidated financial statements were approved by the Trustees of Northview (the "Trustees") on February 27, 2018.

B. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of Northview, wholly-owned subsidiaries, partially owned partnerships, and joint arrangements. Subsidiaries are entities controlled by Northview. The financial transactions of subsidiaries are included in the consolidated financial statements to the date that control ceases. The accounting policies of subsidiaries, partially owned partnerships, and joint arrangements are the same as those of the Trust. Northview has no controlling entity.

C. INVESTMENT PROPERTIES

Northview's investment properties include residential and commercial properties held to earn rental income, held for capital appreciation, and properties that are being constructed, developed, or redeveloped for future use as investment properties.

Investment properties are measured initially at cost, including transaction costs, unless the acquisition is part of a business combination. Subsequent to initial recognition, investment properties are measured at fair value, in accordance with International Accounting Standard 40 – Investment Property ("IAS 40").

The 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. In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use. Northview reviews the fair value of its investment property each reporting period and revises the carrying value when market circumstances change the underlying variables used to fair value investment properties.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

The fair value of investment property is based on valuations by a combination of management estimates and independent appraisers, who hold a recognized and relevant professional qualification and have recent experience in the location and category of the investment property being valued. External appraisals of investment property are performed throughout each year and continue to be used to verify certain variables used in the internal calculation of investment property values. Management uses the external investment property appraisals to verify its assessment of regional vacancy, management overhead and Capitalization Rate ("Cap Rate") information which is then applied to the stabilized net operating income, which is projected annual net operating income that an investment property is likely to experience over the holding period, to calculate the fair value of the remainder of Northview's investment properties within the region. Where increases or decreases are warranted, Northview adjusts the fair value of its investment properties. Fair value gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of net and comprehensive income in the period in which they arise. There has been no change to the valuation technique during the year.

In accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"), investment properties are reclassified to "Assets held for sale" when certain criteria are met. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of net and comprehensive income in the period in which the property is sold.

Investment properties are segregated into two categories: (i) residential (apartments, townhouses, duplexes, single family, and mixed use) and (ii) commercial (office, industrial, and retail).

Investment property consists of several separate components which are included in the estimation of fair value for each property. Residential investment property includes prepaid land equity leases ranging in terms from 15 to 30 years, asset acquisition costs, furniture and fixtures, and capital expenditures. In addition, commercial investment property includes above and below market leases, in-place leases, prepaid tenant improvements, and direct leasing costs.

Land held for development is measured initially at cost, including transaction costs and subsequently measured at fair value.

Capital expenditures include value enhancing and maintenance capex. Value enhancing capex are expected to increase the NOI or value of the properties and are discretionary in nature. Maintenance capex focus on maintaining the existing condition and financial operating efficiency of the properties.

Tenant inducements include cash payments made to tenants where no specific obligation exists on how the payment is utilized by the tenant. Tenant inducements are considered in the cash inflows modeled to measure the fair value of a commercial investment property.

D. ASSET ACQUISITION / BUSINESS COMBINATION

In accordance with IFRS 3 – Business Combination ("IFRS 3"), a transaction is recorded as a business combination if the significant assets, liabilities, or activities in addition to property and related mortgage debt assumed constitute a business. A business is defined as an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return, lower costs, or other economic benefits. Where there are no such integrated activities, the transaction is treated as an asset acquisition.

Residential and commercial properties, developments and redevelopments are measured initially at cost, including transaction costs (except transaction costs related to a business combination) and improvement of the properties.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2017 and 2016

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

Costs that are directly attributable to investment properties under development or redevelopment are capitalized. These costs include direct development costs, realty taxes, borrowing costs directly attributable to the development, and upgrading and extending the economic life of the existing facilities, other than ordinary repairs and maintenance.

E. BORROWING COSTS

Borrowing costs associated with direct expenditures on investment properties under development are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of substantial completion, normally the receipt of an occupancy permit. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

F. PROPERTY, PLANT AND EQUIPMENT

Land and buildings used by Northview as administrative offices and warehouse properties, as well as the excusuites and hotels, are classified as property, plant and equipment ("PP&E") in accordance with IAS 16 – Property, Plant and Equipment ("IAS 16"). PP&E is initially measured using the cost model. PP&E is measured and carried at cost less accumulated depreciation and any accumulated impairment losses.

PP&E is recorded at cost and depreciated using the following annual rates and methods:

	Maximum	
Buildings	50 years	straight-line basis
Parking lot	20 years	straight-line basis
Roof	15 years	straight-line basis
HVAC	15 years	straight-line basis
CAPEX	5 years	straight-line basis
Furniture, fixtures and equipment	5 years	straight-line basis
Automotive	5 years	straight-line basis
Computer	4 years	straight-line basis

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost initially recognized with respect to a building is further allocated amongst its significant component parts with each part being depreciated separately. Northview has identified the significant components of a building to be the parking lot, roof, HVAC, and CAPEX which is defined as interior finishing including wallpaper, paint, flooring or carpeting, cabinets, and bathroom fixtures. The method of depreciation, estimated economic lives of tangible assets, and PP&E are evaluated annually by management and any changes in these estimates are accounted for on a prospective basis in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8").

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal with the carrying amount of PP&E, and are recognized net within expenses and other income.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

G. TRANSFERS BETWEEN INVESTMENT PROPERTY AND PP&E

Transfers between investment property and PP&E are based on change in use from earning passive income to serving an administrative purpose and vice versa. The change in use is tracked only for units which actively serve an administrative purpose. Northview reviews this allocation on an annual basis. Northview does not revise these allocations unless a significant change in the number of units or square footage occupied occurs.

Property transfers from investment property to PP&E are transferred at the fair value of the asset at the time of transfer. Differences in the fair value are recorded in net income.

Property transfers from PP&E to investment property are transferred at the fair value of the asset at the time of transfer. Differences in the fair value are recorded in other comprehensive income for fair value increases. Differences in the fair value are recorded in net income for fair value decreases.

H. IMPAIRMENT

Assumptions are used in assessing PP&E for impairment including estimates of future operating cash flows, the time period over which they will occur, a discount rate and growth rates.

The carrying amounts of Northview's assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Northview estimates fair value based upon current prices for similar assets. In assessing value-in-use, the estimated future cash flows are discounted to their present value using the asset's current effective interest rate.

An impairment loss is recognized in the consolidated statement of net and comprehensive income in the amount by which the carrying amount of the asset exceeds the recoverable amount determined. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

I. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Amounts related to the disposal of non-current assets are classified as "Assets held for sale", and the results of operations and cash flows associated with the assets held for sale are reported separately as being related to assets held for sale or discontinued operations, less applicable income taxes. A non-current asset is classified as an "Asset held for sale" at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively seeking a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and is expected to be completed within a one-year period. For unsolicited interest in a non-current asset, the asset is classified as held for sale only if all the conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit has been received and the sale is probable and expected to be completed shortly after the end of the current period.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- i) represents a separate major line of business or geographical area of operations;
- ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- iii) is a subsidiary acquired exclusively with a view to resale.

The component will have been a cash-generating unit ("CGU") or group of CGUs while being held for use. Profits and gains or losses related to the disposal of discontinued operations are measured based on fair value less cost to sell, except for investment property which is valued at fair value and presented in the consolidated financial statements on an after tax basis in accordance with IFRS 5. Comparative figures are restated to reflect retrospective application of discontinued operations.

J. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when Northview becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below:

i) Financial assets at fair value through profit or loss ("FVTPL")

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

ii) 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, less a provision for impairment. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the holder. The carrying amount of the financial asset is reduced through an allowance account and the amount of loss is recognized in the consolidated statement of net and comprehensive income. Financial instruments that are subsequently measured at amortized cost are subject to testing for impairment each reporting period. Any subsequent reversal of an impairment loss is recognized in profit or loss.

iii) Financial liabilities at FVTPL

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

iv) 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 effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

estimated future cash receipts (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.

Fair value measurements recognized in the consolidated statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair value:

- a) Level 1: Quoted prices in active markets for identical assets or liabilities.
- b) Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- c) Level 3: Valuation techniques for which any significant input is not based on observable market data.

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

Classification and measurement of financial assets and liabilities:

Financial asset or financial liability	Classification	Measurement
Financial assets		
Non-current financial assets		
Other long-term assets	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Installment notes receivable	Loans and receivables	Amortized cost
Current financial assets		
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash	FVTPL	Fair value
Cash and cash equivalent	FVTPL	Fair value
Financial liabilities		
Non-current financial liabilities		
Mortgages payable	Other financial liabilities	Amortized cost
Convertible debentures	FVTPL	Fair value
Derivative instruments	FVTPL	Fair value
Class B LP Units	FVTPL	Fair value
Current financial liabilities		
Distributions payable	Other financial liabilities	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Unit based payments	FVTPL	Fair value
Bank indebtedness	FVTPL	Fair value
Credit facilities	Other financial liabilities	Amortized cost

Cash and cash equivalent is comprised of cash balances and all deposits used in operations. Restricted cash is comprised of cash balances not available for immediate and general use by Northview related to security deposits paid by residential tenants. Security deposits are returned to the tenant upon move out net of any additional charges. Bank indebtedness, repayable on demand and forming an integral part of Northview's cash management, is included as a component of cash and cash equivalent for the purpose of the statement of cash flows. Distributions or dividends payable declared on units with a record date of or prior to Northview's reporting date are recorded as a financial liability.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

Derivative instruments are recorded in the consolidated statement of financial position at fair value, including those derivatives that are embedded in financial or non-financial contracts and which are not closely related to the host contract.

K. INCOME TAXES

Northview is a mutual fund trust for Canadian income tax purposes. In accordance with the DOT, distributions to Unitholders are declared at the discretion of the Trustees. Pursuant to the DOT, the Trustees may, at their sole discretion, determine distributions or designate that all taxable income earned, including the taxable part of net realized capital gains, be distributed to Unitholders and will deduct such distributions and designations for income tax purposes.

Northview follows the liability method for determining deferred income taxes. Under this method, deferred taxes are recognized on temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax carrying values for the same assets and liabilities. Deferred tax assets are recognized for all deductible temporary differences to the extent it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax liabilities are not recognized for the temporary differences from investments in all subsidiaries and joint arrangements to the extent that:

- a) Northview is able to control the timing of the reversal of the temporary differences; and
- b) the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured based on enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which these temporary differences are expected to reverse, and adjustments are recognized in earnings as they occur.

L. UNIT BASED PAYMENTS

i) Unit award plan

Northview issues units to executives and key personnel under a unit award plan. The unit award plan is comprised of a Long-term Incentive ("LTI") plan, whereby performance units ("Performance Units") and restricted units ("Restricted Units") are issued to executives and key personnel of Northview. Under these plans, the fair value of the units granted to executives and key personnel is recognized as compensation expense with an offsetting amount to unit based payments based on the market price at the time of vesting. Northview records compensation expense and unit based payments based on the fair values of the units over the vesting period, less an estimated forfeiture rate. The estimated forfeiture rate is based on the historical forfeiture rate. As units are forfeited or issued, this estimate is adjusted to actual over the vesting period. The impact of the revision of the original estimates, if any, is recognized in the consolidated statements of net and comprehensive income prospectively such that the cumulative expense reflects the revised estimate. Upon issue, the market value of the units is credited to capital with a corresponding reduction to unit based payments. In accordance with IAS 32 – Financial Instruments: Presentation ("IAS 32"), the units are presented as a liability on the consolidated statement of financial position as the Trust is obliged to provide the holder with trust units ("Trust Units") once the units vest. Under IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), the units are classified as 'fair value through profit or loss' and are measured at each reporting period at fair value with changes in fair value recognized in the consolidated statements of net and comprehensive income. Fair value of the units is calculated based on the observable market price of Trust Units.

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ii) Deferred unit plan ("DUP")

Northview has a DUP whereby the Trustees receive a portion of their annual retainer in the form of deferred units ("Deferred Units") that vest immediately when granted. Deferred Units are redeemable upon the Trustee's retirement from Northview. The Deferred Units are equivalent in value to Trust Units and accumulate additional Deferred Units at the same rate that distributions are paid on Trust Units. Northview measures Deferred Units as a liability at their fair value which is equivalent to the fair value of Trust Units with changes in fair value being recognized in the consolidated statements of net and comprehensive income.

M. INVESTMENT IN JOINT VENTURES

Under IFRS 11 – Joint Arrangements ("IFRS 11"), there are two types of joint arrangements – joint operations and joint ventures. Joint arrangements are determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Northview classifies its joint arrangements as joint ventures and accounts for them using the equity method. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for Northview's proportionate share of post-acquisition changes in the net assets of the joint ventures, or for post-acquisition changes in any excess of Northview's carrying amount over the net assets of the joint ventures, less any identified impairment loss. When Northview's share of losses of a joint venture equals or exceeds its interest in that joint venture, Northview discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that Northview has incurred legal or constructive obligations to fund the entity or made payments on behalf of that entity.

Where a group entity transacts with a joint venture of Northview, profits and losses are eliminated to the extent of the Trust's interest in the relevant joint venture. Balances outstanding between Northview and jointly controlled entities are not eliminated in the consolidated statement of financial position.

N. SUBSIDIARIES AND ASSOCIATES

Subsidiaries and associates are consolidated when Northview has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Subsidiary accounting policies are consistent with those of Northview and reporting dates are the same as Northview. The subsidiary financial statements are consolidated line by line, adding assets, liabilities, equity, revenue and expenses of similar types. Intercompany balances, transactions, income, and expense are eliminated and gains or losses on intercompany transactions are eliminated. Where Northview does not own 100% of the subsidiary or associate, non-controlling interest is classified as a component of equity.

O. INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the intangible assets' estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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P. REVENUE RECOGNITION

Revenue from an income producing property is recognized when a tenant commences occupancy of a property and rent is due. Northview retains all benefits and risks of ownership of its investment properties and, therefore, accounts for leases with its tenants as operating leases. Rental revenue includes rent and other sundry revenue recoveries. Rental revenue to be received from leases with rental rates varying over the term of the lease is recorded on a straight-line basis over the term of the associated lease. Accordingly, the difference between the rental revenue recorded on a straight line basis and the rent that is contractually due from the tenant has been recorded as deferred rent receivable for accounting purposes.

Operational cost recoveries ("OCR") for commercial tenants and on selected residential leases are accrued monthly on a leased square footage based on budgeted operating costs. Operating costs are verified annually, usually within 90 days after year end, tenant accounts are reconciled and additional amounts are either invoiced or rebated. Deferred recoverable costs are recorded as other long-term assets and charged against expenses.

Tenant inducements for commercial tenants are recorded as other long-term assets and charged against revenue on a straight-line basis over the lease term.

Q. CLASS B LP UNITS

The Class B LP units ("Class B LP Units") are exchangeable into Trust Units at the option of the holder. The Trust Units are puttable and, therefore, the Class B LP Units meet the definition of a financial liability under IAS 32. Further, the Class B LP Units are designated as FVTPL financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in the consolidated statements of net and comprehensive income. The distributions paid on the Class B LP Units are accounted for as financing costs.

R. UNIT CAPITAL

The Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with IAS 32. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case, the puttable instruments may be presented as Unitholders' equity. The Trust Units meet the conditions of IAS 32 and are, therefore, presented as Unitholders' equity.

As a result of the redemption feature of Trust Units, these units are considered financial liabilities under IAS 33 – Earnings Per Share, and they may not be considered as equity for the purposes of calculating net and comprehensive income on a per unit basis. Consequently, Northview has elected not to report an Earnings Per Unit calculation, as permitted under IFRS.

S. UNIT REPURCHASES

If Northview repurchases its own Trust Units, those Trust Units are deducted from Unitholders' equity and the associated Trust Units are cancelled. No gain or loss is recognized and the consideration paid, including any directly attributable incremental costs, is recognized in Unitholders' equity.

T. DISTRIBUTIONS TO UNITHOLDERS AND CLASS B LP UNITHOLDERS

Unitholders at the close of business on each distribution record date (the last day of the month) are entitled to receive distributions from Northview as declared by the Trustees for such month. The distributions are accrued and will be paid on the distribution date (usually the 15th of the following month). Where the Trustees determine that Northview does not have sufficient cash to pay distributions, the payment may, at the Trustees' discretion, include the issuance of additional units.

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Distributions declared to Class B LP Unitholders are classified as financing costs for reporting purposes because the units are treated as financial liabilities.

U. CONVERTIBLE DEBENTURES

The convertible debentures are convertible into Trust Units. As the Trust Units are redeemable at the option of the holder and are considered puttable instruments in accordance with IAS 32, the convertible debentures are considered a financial liability containing liability-classified embedded derivatives. Northview has elected to reflect the full outstanding amount of each convertible debenture at its fair value and are designated as FVTPL with the changes in fair value being recognized in the consolidated statements of net and comprehensive income. The interests paid on the convertible debentures are accounted for as financing costs.

V. FINANCE COST AND FINANCE INCOME

Interest earned from financial assets is recognized by applying the effective interest rate to the principal outstanding when it is probable that economic benefits will flow to Northview. Mortgage interest and interest on credit facilities is recognized by applying the effective interest rate to the principal outstanding.

W. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, differ from the actual results. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities and management's most critical judgments in applying accounting policies. Actual results may differ from these estimates.

i) ESTIMATES**a) Fair value of investment properties**

Northview carries its investment properties at fair value. Significant estimates used in determining the fair value of Northview's investment properties include capitalization rates and net operating income (which is influenced by inflation rates and vacancy rates). A change to any one of these inputs could significantly alter the fair value of an investment property.

b) Depreciation and amortization

Depreciation and amortization are calculated to write off the cost, less estimated residual value, of assets on a systematic and rational basis over their expected useful lives. Estimates of useful lives are based on data and information from various sources including industry practice and company-specific history. Expected useful lives and residual values are reviewed annually for any change to estimates and assumptions.

c) Allowance for doubtful accounts

Northview must make an assessment of whether accounts receivable are collectible from tenants. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer creditworthiness, current economic trends, and past experience. If future collections differ from estimates, future income would be affected.

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d) Accrued liabilities

Northview must estimate accrued liabilities when invoices have not been received in order to ensure all expenditures have been recognized. If future expenditures differ from estimates, future income would be affected. Accrued liabilities are included in trade and other payables.

e) Capital adequacy

Northview prepares estimated cash flow projections on a regular basis to ensure there will be adequate liquidity to maintain operating, capital and investment activities and uses these estimates to assess capital adequacy. Management reviews the current financial results and the annual business plan in determining appropriate capital adequacy and uses this to determine distribution levels. Changes in these estimates affect distributions to the Unitholders and Northview's cost of capital, which in turn affects income.

f) Income taxes and other tax liability

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 during the year. Northview is a real estate investment trust if it meets prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue (the "REIT Conditions"). Northview has reviewed the REIT Conditions and has assessed their interpretation and application to Northview's assets and revenue, and it has determined that it qualifies as a real estate investment trust.

Northview qualifies as a real estate investment trust under the Income Tax Act (Canada); however, should it no longer qualify, it would not be able to flow-through its taxable income to Unitholders and Northview would, therefore, be subject to tax.

ii. JUDGMENTS**a) Purchase of investment properties**

Northview reviews its purchases of investment property to determine whether or not the purchase is part of a business combination as IFRS requires differing treatment of property acquisitions depending on whether or not the purchase is part of a business combination. Judgment is involved in determining whether or not a purchase forms part of a business combination or an asset acquisition. Should the purchase form part of a business combination, closing costs, such as appraisal and legal fees, are expensed immediately and earnings are affected. If the purchase is an asset acquisition, these costs form part of the purchase price and earnings are not immediately affected.

b) Fair value of investment properties

While investment properties are recorded at fair value on a quarterly basis, not every property is independently appraised every year. Significant judgment is applied in arriving at these fair values, particularly as the properties are in smaller communities with limited trading activity. Changes in the value of the investment properties affect income.

c) Componentization

The componentization of Northview's PP&E, namely buildings, is based on management's judgment of what components constitute a significant cost in relation to the total cost of an asset and whether these components have similar or dissimilar patterns of consumption and useful lives for purposes of calculating depreciation and amortization.

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d) Impairment

Assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset or cash generating unit ("CGU") is impaired. The determination of CGUs is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets as well as how management monitors and makes decisions about Northview's operations.

e) Classification of Inuvik Commercial Properties Zheh Gwizu' Limited Partnership ("ICP") and Inuvik Capital Suites Zheh Gwizuh Limited Partnership ("ICS") as joint ventures

Note 6 describes that the ownership of ICS is for the purpose of investing in an income producing executu property in the Northwest Territories and the ownership of ICP is for the purpose of investing in a portfolio of commercial and mixed-use income producing properties in the Northwest Territories. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, ICP and ICS are classified as joint ventures for Northview.

3. APPLICATION OF NEW AND REVISED IFRSs**A. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

Northview has applied a revised IFRS issued by IASB that is mandatorily effective for an accounting period that begins on or after January 1, 2017.

Revised Standard Description	Impact of Application
Amendments to IAS 7 – Statement of Cash Flows	Additional disclosure for mortgages payable is provided in the notes to the consolidated financial statements.
The amendments to IAS 7 require entities to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities	Refer to Note 9.

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B. RECENT ACCOUNTING PRONOUNCEMENTS

The IASB has issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods subsequent to the current reporting period.

Proposed Standard Description	Possible Impact
IFRS 15 – Revenue from Contracts with Customers Introduces a principle to report information about the nature, timing, and uncertainty of revenue from contracts with customers in a single, comprehensive revenue recognition model. The standard is effective for annual periods beginning on or after January 1, 2018.	Northview has completed its assessment of the impact of IFRS 15 on its consolidated financial statements. Northview has assessed all lease contracts for the presence of non-lease components that would be in the scope of IFRS 15. Northview has further concluded that no changes to the pattern of recognition are required for this revenue stream; however, additional disclosures would be required. Northview adopted the provisions of IFRS 15 on January 1, 2018 and will provide the additional disclosures in 2018 as required by IFRS 15 and other applicable standards.
IFRS 9 – Financial Instruments The IASB has undertaken a three-phase project to replace IAS 39 with IFRS 9. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value; and introduces a new hedge accounting model. The standard was finalized in July 2014. The standard is effective for annual periods beginning on or after January 1, 2018.	Northview has completed its assessment of the impact of IFRS 9 on its consolidated financial statements and concluded that an adjustment to the allowance for doubtful accounts would be required. The adjustment will impact current year opening retained earnings and does not impact prior years. This adjustment is not expected to be material to the consolidated financial statements.
IAS 40 – Investment Properties During December 2016, the IASB issued an amendment to IAS 40 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment is effective for annual periods beginning on or after January 1, 2018.	Northview has completed its assessment of the impact of the amendment to IAS 40 on its consolidated financial statements and concluded that there is no material impact on the consolidated financial statements.

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IFRS 2 – Share Based Compensation

IASB issued an amendment to IFRS 2 to clarify the classification and measurement of cash settled share based payment transactions that include performance condition, classification of share based payment transactions with net settlement features and accounting for modifications of share based payment transactions from cash-settled to equity settled. The amendment is effective for annual periods beginning on or after January 1, 2018.

Northview has completed its assessment of the impact of the amendment to IFRS 2 on its consolidated financial statements and concluded that there is no material impact on the consolidated financial statements.

IFRS 16 – Leases

The IASB issued IFRS 16 – Leases, which provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019.

Northview is in the process of assessing the impact that IFRS 16 may have on the consolidated financial statements and plans to adopt the new standard on the effective date.

Management continues to evaluate the potential qualitative and quantitative impact of these new standards on Northview's financial statement measurements and disclosures. Northview is not early adopting these standards.

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4. INVESTMENT PROPERTIES

	2017	2016
Investment properties	3,410,609	3,010,817
Investment properties under development	38,791	14,471
Land held for development	22,628	34,537
Balance, end of year	3,472,028	3,059,825

Changes to investment properties:

	2017	2016
Balance, January 1	3,059,825	3,025,468
Acquisitions of investment properties	236,471	-
Acquisitions of land	2,730	5,630
Disposals	(37,690)	-
Transfers to property, plant and equipment	(1,592)	(303)
Transfers to assets held for sale	(8,412)	(73,414)
Capital expenditures on investment properties under development	28,206	48,965
Capital expenditures on investment properties	51,781	50,251
Fair value gain	140,709	3,228
Balance, end of year	3,472,028	3,059,825

During the year ended December 31, 2017, Northview transferred \$9.8 million (December 31, 2016 – \$73.0 million) from investment properties under development to investment properties.

During the year ended December 31, 2017, Northview capitalized borrowing costs of \$0.4 million (as at December 31, 2016 – \$0.8 million) to investment properties under development.

During the year ended December 31, 2017, Northview disposed of properties with total fair value of \$82.0 million (December 31, 2016 – \$48.6 million).

Acquisitions for the year ended December 31, 2017 were as follows:

Property Type	Location	Date	Cost
Multi-family/Commercial	Atlantic Canada	Q3, Q4 2017	41,842
Multi-family/Commercial	Ontario	Q4 2017	144,690
Multi-family	Quebec	Q4 2017	24,383
Multi-family/Land	Western Canada	Q4 2017	28,286
Total			239,201

For the year ended December 31, 2016, Northview did not acquire any properties.

Northview uses the capitalization rate (“Cap Rate”) method to value investment properties. As at December 31, 2017, Cap Rates ranging from 3.25% to 13.00% (December 31, 2016 – 4.25% to 13.00%) were applied to a projected stabilized net operating income (“NOI”). The weighted average Cap Rate applied to fair value Northview’s investment properties as at December 31, 2017, is 6.24% (December 31, 2016 – 6.67%).

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A summary of the Cap Rates used for valuations is as follows:

	2017			2016		
Regions	Minimum	Maximum	Weighted Average	Minimum	Maximum	Weighted Average
Atlantic Canada	5.50%	9.50%	6.74%	5.50%	9.50%	6.82%
Northern Canada	6.86%	13.00%	9.14%	6.86%	13.00%	9.13%
Ontario	3.25%	6.00%	4.52%	4.25%	6.00%	5.12%
Quebec	4.50%	7.55%	5.74%	5.85%	7.55%	6.06%
Western Canada	4.25%	11.00%	6.59%	4.75%	11.00%	6.92%
Overall	3.25%	13.00%	6.24%	4.25%	13.00%	6.67%

The impact of a 10 basis point change in Cap rates used to value the investment properties would affect the fair value as follows:

	2017			2016		
Regions	Weighted Average	Increase	Decrease	Weighted Average	Increase	Decrease
Atlantic Canada	6.74%	(6,305)	6,495	6.82%	(5,644)	5,812
Northern Canada	9.14%	(6,693)	6,841	9.13%	(6,446)	6,588
Ontario	4.52%	(27,157)	28,387	5.12%	(18,710)	19,457
Quebec	5.74%	(3,597)	3,724	6.06%	(2,960)	3,060
Western Canada	6.59%	(14,519)	14,966	6.92%	(13,469)	13,864
Overall	6.24%	(58,271)	60,413	6.67%	(47,229)	48,781

The impact of a 1% change in stabilized NOI used to value the investment properties would affect fair value as follows:

Regions	2017	2016
Atlantic Canada	4,309	3,905
Northern Canada	6,186	5,949
Ontario	12,537	9,758
Quebec	2,099	1,823
Western Canada	9,709	9,459
Overall	34,840	30,894

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5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Other Assets	Total
Cost or deemed cost				
Balance at January 1, 2016	2,185	66,383	9,098	77,666
Additions for the year	-	3,753	465	4,218
Transfers from investment property	6	295	2	303
Transfers to assets held for sale	(57)	(18,532)	(561)	(19,150)
Disposals for the year	-	(33)	(228)	(261)
Balance at December 31, 2016	2,134	51,866	8,776	62,776
Additions for the year	-	4,069	981	5,050
Transfers from investment property	33	1,559	-	1,592
Disposals for the year	-	(32)	(232)	(264)
Balance at December 31, 2017	2,167	57,462	9,525	69,154
Accumulated depreciation				
Balance at January 1, 2016	-	15,896	6,260	22,156
Depreciation for the year	-	3,483	1,176	4,659
Transfers to assets held for sale	-	(3,600)	(474)	(4,074)
Disposals for the year	-	(33)	(214)	(247)
Balance at December 31, 2016	-	15,746	6,748	22,494
Depreciation for the year	-	4,153	831	4,984
Disposals for the year	-	(32)	(203)	(235)
Balance at December 31, 2017	-	19,867	7,376	27,243
Carrying amounts				
December 31, 2016	2,134	36,120	2,028	40,282
December 31, 2017	2,167	37,595	2,149	41,911

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6. INVESTMENT IN JOINT VENTURES

Northview has a 50% interest in ICS and a 50% interest in ICP. The ownership of ICS is between the Zheh Gwizu' Limited Partnership and NPR Limited Partnership ("NPRLP") for the purpose of investing in an income producing executuie property in the Northwest Territories. The ownership of ICP is between the Zheh Gwizu' Limited Partnership and NPRLP for the purposes of investing in a portfolio of commercial and mixed-use income producing properties in the Northwest Territories.

The table below summarizes key financial position balances, revenue and expenses as well as Northview's share for the periods reported.

periods reported.

	Current assets	Non- current assets	Total assets	Current liabilities	Non- current liabilities	Total liabilities	Net assets	Northview share of net assets
December 31, 2017								
ICP	2,654	15,483	18,137	4,205	3,145	7,350	10,787	5,393
ICS	884	5,261	6,145	551	2,540	3,091	3,054	1,527
Total	3,538	20,744	24,282	4,756	5,685	10,441	13,841	6,920
December 31, 2016								
ICP	2,162	15,213	17,375	1,538	6,213	7,751	9,624	4,812
ICS	831	5,407	6,238	375	2,940	3,315	2,923	1,462
Total	2,993	20,620	23,613	1,913	9,153	11,066	12,547	6,274
Year ended December 31								
	Revenue		Expenses		Net Income		Northview share of net income	
2017								
ICP	3,514		2,353		1,161		581	
ICS	1,996		1,464		532		266	
Total	5,510		3,817		1,693		847	
2016								
ICP	3,716		2,741		975		487	
ICS	2,167		1,414		753		377	
Total	5,883		4,155		1,728		864	

There has been no change in Northview's 50% ownership and voting interests in these joint ventures for the reported periods.

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7. LOANS RECEIVABLE

Loans receivable consists of installment notes receivable, tenant inducement loans and vendor take back loans ("VTB") on disposals of investment properties as follows:

	2017	2016
Balance, January 1	5,251	7,914
Amortization of installment note premium	(72)	(33)
Repayments received	(3,357)	(2,630)
Balance, end of year	1,822	5,251
Current	1,276	3,061
Non-current	546	2,190
Balance, end of year	1,822	5,251

VTB receivable on asset disposals are receivable over terms of 4 months to 3 years at interest rates of between 6.1% and 9.0%, maturing between April 30, 2018, and August 1, 2021. Loans are secured by investment properties which had a fair value of \$6.8 million at the time of sale. Should the purchasers default on the loans, Northview has the option to reacquire the properties as settlement of the outstanding VTB loans balance. At December 31, 2017, there are \$1.0 million in VTB loans (December 31, 2016 – \$2.4 million).

Tenant inducement loans are repayable over terms of 1 to 4 years, matching the lease terms, at interest rates of between 0.0% to 10.1%, maturing between June 1, 2019, and March 1, 2022. At December 31, 2017, there are \$0.2 million in tenant inducement loans outstanding (December 31, 2016 – \$1.8 million).

Pursuant to the acquisition of True North Apartment Real Estate Investment Trust, Northview acquired certain non-interest bearing installment notes, with a present value of \$1.8 million. At December 31, 2017, there is \$0.6 million in installment notes receivable outstanding (December 31, 2016 – \$1.1 million). These installment notes extend over the maturity dates of the assumed mortgages, expiring on various dates between March 1, 2020, and December 1, 2022.

8. INCOME TAXES

Northview is a mutual fund trust for Canadian income tax purposes. In accordance with the DOT, distributions to Unitholders are declared at the discretion of the Trustees. Pursuant to the DOT, the Trustees may, at their sole discretion, determine distributions or designate that all taxable income earned, including the taxable part of net realized capital gains, be distributed to Unitholders and will deduct such distributions and designations for income tax purposes.

The Tax Act contains rules (the "SIFT Rules") that impose tax on certain mutual fund trusts and their Unitholders at rates that approximate corporate and dividend income tax rates. A real estate investment trust ("REIT") must hold less than 10% of non-qualifying assets and earn less than 10% of non-qualifying revenue to keep its status as a Tax REIT (as defined below). The SIFT Rules do not apply to any mutual fund trust that qualifies as a "real estate investment trust" (a "Tax REIT") as defined in the Tax Act (the "Tax REIT Exemption"). As of December 31, 2017, Northview met all the requirements of a REIT under the Tax Act and is not subject to entity level income taxation provided that all of its taxable income is distributed to its Unitholders.

The Tax REIT Exemption does not apply to incorporated subsidiaries of Northview, which are therefore subject to Canadian income taxes. Northview does not currently hold any income producing property or operation in taxable incorporated subsidiaries. As such, there is currently no provision for current or deferred income tax expense required in the current reporting period.

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9. MORTGAGES PAYABLE

	2017	2016
Mortgages payable	1,810,154	1,692,255
Fair value adjustment upon assumption	9,377	14,685
Deferred financing costs	(33,375)	(27,400)
	1,786,156	1,679,540
Mortgages related to assets held for sale	-	(18,008)
Total	1,786,156	1,661,532
Current	274,736	160,844
Non-current	1,511,420	1,500,688
Total	1,786,156	1,661,532

Mortgages payable bear interest at rates ranging from 1.41% to 6.48% (December 31, 2016 – 1.41% to 6.48%) and have a weighted average rate of 3.20% as at December 31, 2017 (December 31, 2016 – 3.23%). Mortgages are payable in monthly installments of blended principal and interest of approximately \$8.7 million (December 31, 2016 – \$8.6 million). The mortgages mature between 2018 and 2027 (December 31, 2016 – 2017 and 2031) and are secured by charges against specific properties. Land and buildings with a carrying value of \$2.9 billion (December 31, 2016 – \$2.8 billion) have been pledged to secure the mortgages payable of Northview.

The fair value of mortgages payable at December 31, 2017, is approximately \$1.8 billion (December 31, 2016 – \$1.7 billion). The fair value is determined by discounting the future cash payments by the current market borrowing rate. Most of the mortgages on Northview's investment properties are insured by Canada Mortgage and Housing Corporation ("CMHC"). Pursuant to standard mortgage terms, each mortgagee has a first position security interest in the specified property funded with mortgage proceeds. As well, there are some mortgagees with a second position security interest. In addition, certain investment properties are cross-securitized providing the lender with preferential security rights to those properties.

The following table summarizes Northview's mortgages as at December 31, 2017:

(thousands of dollars)	Principal Amount	Principal on Maturity	Total	% of Total	Weighted Average Interest Rate
2018	51,528	218,989	270,517	14.9%	4.12%
2019	46,794	185,535	232,329	12.8%	3.30%
2020	41,895	185,945	227,840	12.6%	2.70%
2021	33,059	267,997	301,056	16.6%	3.53%
2022	27,681	102,185	129,866	7.2%	2.77%
Thereafter	64,952	583,594	648,546	35.8%	2.87%
Total	265,909	1,544,245	1,810,154	100.0%	3.20%

Northview held one cash settled interest rate swap contract for \$35.0 million which was repaid upon maturity in July 2017. Hedge accounting was not being applied to this swap contract. During the year ended December 31, 2017, the fair value adjustment of the interest rate swap was \$0.2 million (December 31, 2016 - \$0.1 million) and has been recognized as fair value gain (Note 21) in the consolidated statements of net and comprehensive income.

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The following table summarizes the change in the mortgages payable during the year ended December 31, 2017:

	December 31, 2017
Mortgages payable, January 1, 2017 ⁽ⁱ⁾	1,679,540
Proceeds from new mortgages	240,703
Prepaid mortgage fees	(12,809)
Mortgage assumption	39,691
Repayment of mortgages	(160,962)
Mortgage interest expense	51,970
Mortgage interest paid	(51,977)
Mortgages payable, December 31, 2017 ⁽ⁱ⁾	1,786,156

(i) Mortgages payable as at January 1, 2017 includes the liabilities related to assets held for sale.

10. CONVERTIBLE DEBENTURES

Northview has a \$23.0 million principal amount of convertible unsecured subordinated debentures at par (the "2019 Debentures"). The 2019 Debentures bear interest at 5.75% per annum, are payable semi-annually in arrears, and mature on June 30, 2019 (the "Maturity Date"). The 2019 Debentures are convertible with each \$1,000 (actual dollars) of face value and a conversion price of \$23.80 per Trust Unit, for a total of 966,386 Trust Units.

On and after June 30, 2017, but prior to June 30, 2018, the 2019 Debentures will be redeemable, in whole or in part, at par plus accrued and unpaid interest at the sole option of Northview, on not more than 60-days and less than 30-days prior notice, provided that the market price of a Unit, calculated with reference to the date on which notice of redemption is given, is not less than 125% of the conversion price.

On and after June 30, 2018, but prior to the Maturity Date, the 2019 Debentures are redeemable, in whole or in part, at par plus accrued and unpaid interest, at the sole option of Northview, on not more than 60-days and not less than 30-days prior notice.

Northview may, at its sole option, subject to certain restrictions, elect to satisfy its obligation to pay all or any portion of the principal amount on the 2019 Debentures by delivering to debenture holders on the redemption date that number of Trust Units obtained by dividing the principal amount redeemed by 95% of the current market price of the Trust Units on the redemption date.

The following table summarizes the changes in the 2019 Debentures during the year ended December 31, 2017:

Convertible Debentures		
	Principal	Amount
Outstanding, January 1, 2016	23,000	22,885
Fair value adjustment	-	575
Outstanding, December 31, 2016	23,000	23,460
Redemption	(1)	(1)
Fair value adjustment	-	1,380
Outstanding, December 31, 2017	22,999	24,839

The following table reconciles the face value of the 2019 Debentures to their fair value:

	2017	2016
Face value	22,999	23,000
Fair value adjustment	1,840	460
Fair value	24,839	23,460

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11. CREDIT FACILITIES

Borrowings under credit facilities	2017	2016
Operating facilities ⁽ⁱ⁾	143,700	73,200
Construction financing ⁽ⁱⁱ⁾	51,715	50,013
Land financing ⁽ⁱⁱⁱ⁾	5,828	10,629
Total	201,243	133,842
Current	89,543	68,013
Non-current	111,700	65,829
Total	201,243	133,842

- (i) At December 31, 2017, Northview had three operating facilities with total credit limits of \$203.0 million (December 31, 2016 – \$203.0 million). The maximum borrowing capacity at December 31, 2017, is \$172.2 million (December 31, 2016 – \$153.1 million). Specific investment properties with total fair value of \$421.5 million (December 31, 2016 – \$362.5 million) have been pledged as collateral security for the operating facility. Northview also has \$5.3 million (December 31, 2016 – \$4.1 million) in Letters of Credit (“LOC”) outstanding as security for construction projects and mortgage holdbacks. The LOC reduces the amount available under the \$150.0 million operating facility.

OPERATING FACILITIES

(thousands of dollars)	Maturity Date	Credit Limit	Maximum borrowing capacity	2017 Amounts Drawn	2016 Amounts Drawn
\$150 million operating facility (interest at prime plus 0.75% or banker's acceptance plus 2.00%:	May 12, 2019	150,000	129,800	111,700	55,200
\$23 million operating facility (interest at prime plus 0.75% or banker's acceptance plus 2.00%:	May 22, 2018	23,000	23,000	23,000	18,000
\$30 million operating facility (interest at prime plus 1.15% or banker's acceptance plus 2.40%:	May 31, 2018	30,000	19,400	9,000	-
Total		203,000	172,200	143,700	73,200

- (ii) At December 31, 2017, Northview had three construction financing loans outstanding relating to the developments in Calgary, AB; Cambridge Bay, NU; and Regina, SK. Interest rates range from prime plus 0.50% to 1.00% or Banker's Acceptance plus 2.00% to 2.20%. Maturity dates range from January 1, 2018, to March 31, 2019.
- (iii) The land financing relates to land held for development and bears interest at prime plus 0.50% or Bankers' Acceptance plus 2.00% with a maturity date of December 31, 2018. Financing is secured by three parcels of land held for development.

Northview's credit facilities contain certain financial covenants. The principal financial covenants are debt to gross book value, debt service coverage, and interest coverage. The debt to gross book value ratio covenant maximum threshold is 70%. The interest coverage ratio and debt service coverage ratio covenant minimum thresholds are at least 1.90 and 1.50, respectively. As at and during the year ended December 31, 2017, Northview was in compliance with all financial covenants.

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12. UNIT BASED PAYMENTS**a) Long term incentive ("LTI") plan**

On May 6, 2015, the Trustees approved a unit award plan comprised of an LTI plan, whereby performance units ("PU") and restricted units ("RU") are issued to employees of Northview or its affiliates, as defined in the *Securities Act* (Alberta). The LTI plan is being used in place of the former Long Term Incentive Plan ("LTIP"). PU and RU entitle the employees to receive payment upon vesting in the form of Trust Units of Northview. PU vest over a period of three years and incorporate performance criteria established at the time of grant. RU vest over a period of three years with no performance criteria established at the time of grant. PU accumulate additional PU and RU accumulate additional RU at the same rate that distributions are paid on units from the time of granting until vesting. Northview intends to settle all PU and RU with units either through the purchase of Trust Units in the open market or the issuance of new Trust Units from treasury; however, wholly at its own discretion, Northview may settle the units in cash. Compensation expense is recognized in net and comprehensive income over the service period.

Total PUs and RUs granted and cancelled under the LTI plan are as follows:

	2017	2016
	Number of Units	Number of Units
Balance, January 1	146,179	72,910
Performance units granted	50,261	120,831
Restricted units granted	41,540	-
Performance units cancelled	(2,399)	(47,562)
Restricted units cancelled	(778)	-
Balance, end of year	234,803	146,179

PUs and RUs granted and cancelled under the LTI plan to Trustees and Northview's executive officers (also included in the above table) are as follows:

	2017	2016
	Number of Units	Number of Units
Balance, January 1	69,493	33,266
Performance units granted	28,403	50,885
Restricted units granted	18,936	-
Performance units cancelled	-	(14,658)
Balance, end of year	116,832	69,493

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b) Long-term incentive plan ("LTIP")

Prior to 2015, Northview had an LTIP for individuals who provide management services to Northview or any corporation, trust, or other entity directly or indirectly owned or controlled by Northview (a "Managed Entity"), based on the results of each fiscal year. This plan was replaced with the LTI plan described in Note 12(a). As such, Northview does not intend to grant any additional securities under the LTIP. The total amount of LTIP awards are determined at the end of each fiscal year by the Trustees based on an assessment of the performance of Northview and the individual performance of the individuals who provide management services to Northview or a Managed Entity. The number of Trust Units granted is based on the weighted average trading price on December 31 of each year. Pursuant to the policy, rights to Trust Units generally vest over a period of three years.

Total Trust Units issued under the LTIP are as follows:

	2017		2016	
	Number of Units	Price per unit	Number of Units	Price per unit
Balance, January 1	2,370	-	2,980	-
Units issued	(2,370)	\$19.86	(610)	\$19.96
Balance, end of year	-	-	2,370	-

Trust Units issued under the LTIP to Trustee's and Northview's executive officers (also included in the above table) are as follows:

	2017		2016	
	Number of Units	Price per unit	Number of Units	Price per unit
Balance, January 1	645	-	1,293	-
Units issued	(645)	\$19.86	(325)	\$18.46
Change in key management personnel	-	-	(323)	-
Balance, end of year	-	-	645	-

c) Deferred Unit ("DU") award plan

On May 6, 2015, the Unitholders approved a DU award plan, whereby DUs are issued to non-executive Trustees as a form of compensation. Total compensation expense is recognized at the time of grant. DUs accumulate additional DUs at the same rate that distributions are paid on Trust Units from the time of granting until issued. Fluctuations in the market value are recognized in fair value in the consolidated statements of net and comprehensive income in the period in which the fluctuations occur. DUs are redeemable upon the Trustee's retirement from Northview. The carrying amount of the liability, included in unit based payments, relating to the cash-settled DUs at December 31, 2017 is \$1.2 million (December 31, 2016 - \$0.6 million).

Total DUs granted under the DU award plan are as follows:

	2017	2016
	Number of Units	Number of Units
Balance, January 1	31,843	10,026
Units granted	25,341	21,817
Units redeemed	(7,449)	-
Balance, end of year	49,735	31,843

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13. EMPLOYEE UNIT PURCHASE PLAN

Changes to the Employee Unit Purchase Plan (the "EUPP") were approved by the Board and made effective January 1, 2016. Under the terms of the EUPP, employees may invest a maximum of 5% of their salary excluding bonuses, deferred compensation, overtime pay, statutory holiday pay, severance payment and any special incentive compensation payments, in Trust Units and Northview will contribute an amount equal to 25% of the employee's contribution during that pay period. The units are purchased on the TSX at market prices. During the year ended December 31, 2017, employees invested a total of \$0.4 million (December 31, 2016 – \$0.3 million) and Northview contributed \$0.1 million (December 31, 2016 – \$0.1 million). During the year ended December 31, 2017, 25,601 units (December 31, 2016 – 25,007 units) were purchased at an average cost of \$22.22 per unit (December 31, 2016 – \$19.60).

14. UNITHOLDERS' EQUITY

a) Trust Units

The aggregate number of Trust Units and special voting units of Northview ("Special Voting Units") which are authorized and may be issued is unlimited.

Each Trust Unit represents an equal undivided beneficial interest in any distributions from Northview, and in any of the net assets of Northview in the event of termination or winding up of Northview. All Trust Units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each Trust Unit entitles the holder of record thereof to one vote for each whole Trust Unit held at all meetings of Trust Unitholders. Except as set out under "Redemption Rights" below, the Trust Units have no conversion, retraction, redemption or pre-emptive rights.

The Trust Units should not be viewed by potential investors as shares in Northview. A Unitholder has substantially all of the same protections, rights and remedies as a shareholder would have under the Canada Business Corporations Act ("CBCA"), except that Unitholders will not have the statutory rights normally associated with ownership of shares of a CBCA corporation including, for example, "dissent rights" in respect of certain corporate transactions and fundamental changes, rights to submit shareholder proposals at shareholder meetings, or the right to bring "derivative" or "oppression" actions. The Trustees have powers, responsibilities and duties analogous to those of a board of directors of a corporation governed by the CBCA. The protections, rights and remedies available to a Unitholder are contained in the DOT.

Transfer of Trust Units

Pursuant to the DOT, the Trust Units are freely transferable.

Repurchase of Trust Units

Northview shall be entitled to purchase for cancellation at any time the whole or from time to time any part of the outstanding Trust Units, at a price per Trust Unit and on a basis to be determined by the Trustees in compliance with all applicable securities regulatory laws, regulations or policies or the policies of any applicable stock exchange.

Redemption Rights

Trust Units are redeemable at any time on demand by the Unitholders. A Unitholder not otherwise holding a fully registered Trust Unit certificate who wishes to exercise the redemption right is required to obtain a written redemption notice (the "Redemption Notice") from his or her investment dealer who is then required to deliver the completed Redemption Notice to Northview. Upon receipt by Northview of the Redemption Notice, the Unitholder shall thereafter cease to have any rights with respect to the Trust Units tendered for redemption (other than to receive the redemption payment thereof) including the right to receive any distributions thereon which are declared payable to the Unitholders of record on a date which is subsequent to the day of receipt by Northview of such notice. Trust Units shall be considered to be tendered for redemption on the date that Northview has, to the satisfaction of the Trustees, received the Redemption Notice and all other required documents or evidence.

Upon receipt of the Redemption Notice by Northview, the holder of the Trust Units tendered for redemption shall be entitled to receive a price per Trust Unit (the "Redemption Price") equal to the lesser of:

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- a) 90% of the “market price” of the Trust Units on the principal market on which the units are quoted for trading during the 20 trading day period commencing immediately subsequent to the day on which the units were surrendered to Northview for redemption (the “Redemption Date”); and
- b) 100% of the “closing market price” on the principal market on which the Trust Units are quoted for trading on the Redemption Date.

For the purposes of calculating the Redemption Price, “market price” shall be an amount equal to the weighted average of the closing price of the Trust Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Trust Units traded on a particular day, the “market price” shall be an amount equal to the average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 20 trading days, the “market price” shall be the weighted average of the following prices established for each of the 20 trading days:

- (i) the weighted average of the last bid and last asking prices for the Trust Units for each day on which there was no trading;
- (ii) the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and
- (iii) the weighted average of the highest and lowest prices of the Trust Units for each day that there was trading if the market provides only the highest and lowest prices of Trust Units traded on a particular day.

Where the holder of Trust Units tendered for redemption is entitled to receive a price per unit equal to 100% of the “closing market price” on the principal market on which the units are quoted for trading on the Redemption Date, the “closing market price” shall be:

- (i) an amount equal to the closing price of the Trust Units if there was a trade on the date and the exchange or market provides a closing price;
- (ii) an amount equal to the weighted average of the highest and lowest prices of Trust Units if there was trading on the date and the exchange or other market provides only the highest and lowest trading prices of Trust Units traded on a particular day; and
- (iii) the weighted average of the last bid and last asking prices of the Trust Units if there was no trading on the date.

The aggregate Redemption Price payable by Northview in respect of any Trust Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment no later than the last day of the calendar month following the month in which the 20 trading day period referred to above ended, provided that there is no entitlement for Unitholders to receive cash upon the redemption of their Trust Units if:

- (i) the total amount payable by Northview in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month exceeds \$50,000; provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Trust Units tendered for redemption in any particular calendar month. Trust Units tendered for redemption in any calendar month in which the total amount payable by Northview exceeds the Monthly Limit will be redeemed for cash and, subject to any applicable regulatory approvals, by a distribution in specie of securities on a pro rata basis;
- (ii) at the time the Trust Units are tendered for redemption, the outstanding Trust Units (or, as applicable, installment receipts) are not listed on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Trust Units (or, as applicable, installment receipts); or
- (iii) the normal trading of the outstanding Trust Units (or, as applicable, installment receipts) is suspended or halted on any stock exchange on which the Trust Units (or, as applicable, installment receipts) are listed for trading or, if not so listed, on any market on which the Trust Units (or, as applicable, installment receipts) are quoted for trading, on the Redemption Date or for more than five trading days during the 20 trading day period commencing immediately after the Redemption Date.

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If a Unitholder is not entitled to receive cash upon the redemption of Trust Units as a result of any one of the foregoing limitations, then the Redemption Price per Trust Unit to which the Unitholder is entitled shall be the fair market value thereof as determined by the Trustees and, subject to any applicable regulatory approvals, shall be paid out and satisfied by way of a distribution in specie consisting of such assets of Northview as the Trustees determine.

Based on historic information over the past year, redemption levels are expected to be nil. However, the actual level of redemptions may differ significantly from historic experience.

Special Voting Units

The DOT provides for the issuance of the Special Voting Units which have no economic entitlement in Northview or in the distribution of assets of Northview, but are used to provide voting rights proportionate to the votes of the Trust Units to holders of securities exchangeable into Trust Units, including the Class B LP Units. Each Special Voting Unit is not transferable separately from the Class B LP Unit to which it is attached and will be automatically redeemed and cancelled upon exchange of the attached Class B LP Unit into a Trust Unit. Each Special Voting Unit will entitle the holder to one vote, either in person or by proxy, at the meeting of Unitholders as if he or she was a Unitholder.

The number of Trust Units issued and outstanding at December 31, 2017, and December 31, 2016, is as follows:

	2017		2016	
	Number of Units	Amount	Number of Units	Amount
Balance, January 1	49,942,379	1,157,774	44,410,640	1,053,626
Trust Units issued	1,199,392	30,206	5,531,739	104,148
Balance, end of year	51,141,771	1,187,980	49,942,379	1,157,774

b) Class B LP Units and Special Voting Units

The Class B LP Units are units issued by subsidiaries of Northview and can be issued in conjunction with property acquisitions. The Class B LP Units can be exchanged for Trust Units at any time at the option of the holder. Each Class B LP Unit will have a Special Voting Unit attached to it, which will entitle the holder to one vote, either in person or by proxy, at the meeting of Unitholders as if he or she was a Unitholder.

Subsidiaries of Northview are authorized to issue Class B LP Units and Northview issues the related Special Voting Units. The ability to exchange Class B LP Units for Trust Units implies a liability element exists because it imposes an unavoidable obligation to deliver Trust Units (i.e., a financial instrument of another entity). Therefore, Class B LP Units are classified as financial liabilities on the consolidated statements of financial position.

The total number of Class B LP Units and Special Voting Units outstanding as at December 31, 2017 is 6,684,614 (December 31, 2016 – 5,814,664), subject to conversion in accordance with their terms, with a corresponding liability of \$167.0 million (December 31, 2016 – \$116.7 million). During 2017, nil Class B LP Units and Special Voting Units (December 31, 2016 – 1,994,875), subject to conversion in accordance with their terms, were exchanged for Trust Units. Northview issued 869,950 Class B LP and Special Voting Units, subject to conversion in accordance with their terms, with a fair value of \$22.0 million (December 31, 2016 – nil) for the year ended December 31, 2017.

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The continuity schedule for the Class B LP Units and Special Voting Units classified as liabilities is as follows:

Date	Description	Issue Price/ Call Price	Number of Units	Amount
Balance at January 1, 2016		\$17.56	7,809,539	137,135
February 11	Exchange of Class B LP Units and Special Voting Units	\$16.38	(1,910,853)	(31,300)
August 29	Exchange of Class B LP Units and Special Voting Units	\$20.48	(25,402)	(520)
September 26	Exchange of Class B LP Units and Special Voting Units	\$21.33	(58,620)	(1,250)
December 31	Fair value adjustment	\$20.07	-	12,636
Balance at December 31, 2016		\$20.07	5,814,664	116,701
December 1	Issuance of Class B LP Units and Special Voting Units	\$25.41	314,836	8,000
December 7	Issuance of Class B LP Units and Special Voting Units	\$25.22	555,114	14,000
December 31	Fair value adjustment	\$24.99	-	28,348
Balance at December 31, 2017		\$24.99	6,684,614	167,049

c) Distributions to Unitholders

Pursuant to the DOT, holders of Trust Units and Class B LP Units, are entitled to receive distributions made on each distribution date as approved by the Trustees. During the year ended December 31, 2017, Northview declared monthly cash distributions of \$0.1358 per Unit (December 31, 2016 - \$0.1358 per unit). For the year ended December 31, 2017, Northview declared distributions totaling \$91.2 million (December 31, 2016 – \$88.4 million).

d) Normal course issuer bid (“NCIB”)

On May 27, 2016, the TSX approved Northview’s notice of intention to renew the NCIB for its Trust Units. Northview’s NCIB was made in accordance with the policies of the TSX. Northview could purchase Trust Units during the period from June 1, 2016 to May 31, 2017. Northview paid the market price at the time of acquisition for any Trust Units in accordance with the rules and policies of the TSX and applicable securities laws. Purchases under the NCIB were funded out of Northview’s working capital. Northview was not obligated to make any purchases pursuant to the NCIB. Northview was authorized to purchase, in a 12 month period, up to 3,852,249 Trust Units, representing 10% of its public float as at May 26, 2016, through the facilities of the TSX and other Canadian trading platforms. On any trading day, Northview could not purchase more than 32,646 Trust Units, which equaled 25% of Northview’s average daily trading volume on the TSX for the most recently completed six calendar months preceding May 27, 2016, the date of acceptance of the NCIB by the TSX, except where such purchases were made in accordance with the block purchase exemptions under the TSX rules.

On May 31, 2017, Northview’s NCIB expired. During the period from June 1, 2016 to May 31, 2017, Northview did not purchase any Trust Units under its NCIB.

15. NON-CONTROLLING INTERESTS

Northview holds investments in a joint operation. Northview owns 55% of GoGa Cho Building Limited Partnership and, accordingly, consolidates the operations and records a 45% non-controlling interest. Northview manages all aspects of the joint operation, prepares budgets in compliance with Northview’s operating policies and determines whether distributions should be paid to the joint venture partners. Due to the inherent control over the joint operation, Northview consolidates the operations and records non-controlling interests.

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16. GUARANTEES, COMMITMENTS AND CONTINGENCIES

In the normal course of operations, Northview may provide indemnification commitments to counterparties in transactions such as credit facilities, leasing transactions, service arrangements, director and officer indemnification agreements, and sales of assets. These indemnification agreements may require Northview to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by counterparties as a consequence of the transaction. The terms of these indemnification agreements vary based on the contract and do not provide any limit on the maximum potential liability. To date, Northview has not made any payments under such indemnifications and no amount has been accrued in the consolidated financial statements with respect to these indemnification commitments.

In the normal course of operations, from time to time, Northview becomes subject to various legal and other claims. Management and its legal counsel evaluate these claims and, where required, accrue the best estimate of costs relating to these claims. Management believes the outcome of claims of this nature at December 31, 2017 will not have a material impact on Northview's consolidated financial statements.

In the normal course of operations, Northview provides guarantees for mortgages payable relating to investments in corporations and joint ventures where Northview owns less than 100%. The mortgages payable are secured by specific charges against the properties owned by the corporations and joint ventures. In the event of a default of the corporation or joint venture, Northview may be liable for up to 100% of the outstanding balances of these mortgages payable.

At December 31, 2017, Northview has provided guarantees on mortgages secured by investment properties totaling \$9.8 million (December 31, 2016 – \$10.6 million) of its equity accounted joint ventures, ICP and ICS. These mortgages bear interest at rates ranging from 3.01% to 5.50% (December 31, 2016 – 3.01% to 5.50%) and mature between May 2018 and July 2022 (December 31, 2016 – July 2017 and December 2020). As at December 31, 2017, land and buildings with a carrying value of \$23.5 million have been pledged to secure these mortgages payable (December 31, 2016 – \$23.4 million). Due to the equity accounting of ICP and ICS, the mortgage balances have not been recorded in Northview's consolidated financial statements. Management believes no default will occur and, accordingly, no amount has been recorded by Northview in the consolidated financial statements.

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial assets and financial liabilities

Northview's financial assets and financial liabilities are carried at amortized cost, which approximates fair value, or at fair value through profit or loss as applicable. Such fair value estimates are not necessarily indicative of the amounts Northview might pay or receive in actual market transactions.

The tables below present the fair value of Northview's assets and liabilities, as at December 31, 2017 and December 31, 2016:

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment properties	-	-	3,472,028	-	-	3,059,825
Cash and cash equivalent	10,718	-	-	4,148	-	-
Restricted cash	12,942	-	-	11,254	-	-
Assets held for sale	-	-	3,861	-	-	24,797
Liabilities						
Mortgages payable	-	1,773,226	-	-	1,692,821	-
Convertible debentures	24,839	-	-	23,460	-	-
Class B LP Units	-	167,049	-	-	116,701	-
Derivative instruments	-	-	-	-	1,499	-
Unit based payments	-	3,250	-	-	1,733	-
Liabilities related to asset held for sale	-	-	-	-	-	18,008

Northview had no embedded derivatives requiring separate recognition as at December 31, 2017, or December 31, 2016.

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. During the years ended December 31, 2017, and December 31, 2016, there were no transfers between Level 1, Level 2 and Level 3 assets and liabilities. Northview had no credit derivatives over financial assets at December 31, 2017, or December 31, 2016, and throughout the intervening periods.

The following summarizes the significant methods and assumptions used in estimating fair values of Northview's assets and liabilities measured at fair value and other financial instruments:

(i) Investment properties

Northview determined the fair value of each investment property using the valuation methodology and key assumptions described in Note 4.

(ii) Mortgages payable

The fair value of mortgages payable is estimated based on the present value of future payments, discounted at the yield on a Government of Canada bond with the nearest maturity date to the underlying mortgage, plus an estimated credit spread at the reporting date for a comparable mortgage or the yield of a comparable mortgage. The spread rates used at December 31, 2017, ranged from 0.77% to 2.25% (December 31, 2016 - 1.01% to 2.59%), depending on the nature and terms of the respective mortgages.

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(iii) Convertible debentures

The fair value of the convertible debentures is determined based on the market trading prices of the convertible debentures as at the valuation date. As allowed under IFRS 13, Fair Value Measurement ("IFRS 13"), if an asset or liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to determine fair value. Northview uses the closing price at the end of the period of the convertible debentures as the fair value for the convertible debentures.

(iv) Class B LP Units

The fair value of the Class B LP Units is estimated based on the market trading prices of the Trust Units at the valuation date. As allowed under IFRS 13, if an asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to determine fair value. Northview has chosen to use the closing price on the period end date of its Trust Units for fair value measurement for its Class B LP Units.

(v) Derivative instruments

The fair value of the interest rate swap was determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. The fair value was determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts were based on expectation of future interest rates (forward curves) derived from observable market rate curves. The interest rate swap contract was repaid upon maturity in July 2017.

(vi) Unit based payments

Northview determines the fair value of unit based payments and deferred units using the valuation methodology and key assumptions described in Note 2(l) of the consolidated financial statements for the year ended December 31, 2017 and 2016.

(vii) Other financial assets and financial liabilities

The fair values of Northview's other financial assets, which include cash and cash equivalent, restricted cash and accounts receivable, as well as Northview's other financial liabilities, which include credit facilities, trade and other payables, and distributions and Class B LP interest payable, approximate their recorded values due to their short-term nature.

b) Risk management related to financial instruments

Northview is exposed to utility, credit, interest rate, and liquidity risks associated with its financial assets and liabilities. The Trustees have responsibility for the establishment and approval of Northview's overall risk management policies, including those related to financial instruments. Management performs continuous assessments so that all significant risks related to financial instruments are reviewed and addressed in light of changes to market conditions and Northview's operating activities.

(i) Utility cost risk

Utility cost risk is the potential financial loss Northview may experience as a result of higher resource prices or lack of supply. Northview is exposed to utility cost risk from the fluctuation in retail prices for fuel oil, natural gas, and electricity, the primary utilities used to heat its properties. The exposure to utility cost risk is restricted primarily to the multi-family rental and executives and hotel portfolios. The leases in the

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commercial portfolio generally provide for recovery of operating costs from tenants, including utilities. Due to the northern locations of a significant portion of Northview's portfolio, the exposure to utility price fluctuations is more pronounced in the first and last fiscal quarters of the year. Northview manages its exposure to utility risk through a number of preventative measures, including retrofitting properties with energy efficient appliances, fixtures, and windows. Northview may utilize hedges or forward contracts to manage exposure to utility cost risk.

Northview continues to implement a sub-metering program in properties located in Ontario. Sub-metering provides individual electric meters for each multi-family rental unit, allowing tenants to pay their electricity bills directly. This reduces utility costs to the landlord. As a result, Northview's exposure to utility price fluctuations is minimized in Ontario.

Heating oil is the primary source of fuel for heating properties located in Nunavut and Yellowknife, NT.

Natural gas is the main source of fuel for heating properties located in Alberta, parts of British Columbia, New Brunswick, Nova Scotia, Ontario, Quebec, Saskatchewan, and Inuvik, NT. Natural gas prices in Alberta, British Columbia, and Ontario are not subject to regulated price control. Northview does not use financial instruments to manage the exposure to the utility cost risk.

Management prepared a sensitivity analysis of the impact of price changes in the cost of heating oil and natural gas. A 10% change in the combined average price of heating oil and natural gas would impact Northview's net income by approximately \$1.1 million for the year ended December 31, 2017 (December 31, 2016 – \$1.0 million).

Electricity is the primary source for heating properties located in Newfoundland and Labrador, as well as parts of British Columbia. In Newfoundland and Labrador and British Columbia, electricity is purchased from the provincially regulated utilities and is directly paid by the residents for a significant portion of Northview's multi-family rental units. As a result, there is no significant risk to Northview regarding the price of electricity in Newfoundland and Labrador and British Columbia.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Northview's credit risk primarily arises from the possibility that residents may not be able to fulfill their lease commitments. Loan receivables consist mainly of amounts due from commercial tenants. Given Northview's collection history and the nature of these tenants, credit risk is assessed as low. Accounts receivable consists mainly of resident receivables. Resident receivables are comprised of a large number of residents spread across the geographic areas in which Northview operates. There are no significant exposures to single residents with the exception of the Governments of Canada, Nunavut and the Northwest Territories, which lease a large number of residential units and commercial space in the Northwest Territories and Nunavut.

Northview mitigates credit risk through conducting thorough credit checks on prospective residents, requiring rental payments on the first of the month, obtaining security deposits approximating one month's rent from residents where legislation permits, and geographic diversification in its portfolio. Northview records a specific bad debt provision on balances owed from past residents and provides an allowance for receivables, net of security deposits, from current residents where the expected amount to be collected is less than the actual accounts receivable. The aging of current residents and resident receivables is net of allowance for doubtful accounts from current and past residents.

Northview classifies residents as past residents on the date of their move out from a residential unit. Any subsequent recovery of balances owed from past residents is recorded as a reduction in the bad debt provision for the period. The amounts disclosed on the consolidated statements of financial position are net of allowances

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for uncollectible accounts from current and past residents and other receivables, estimated by management based on prior experience and current economic conditions.

The following is an aging of current residents and other receivables:

	2017	2016
0-30 days	1,946	1,866
31-60 days	572	441
61-90 days	122	144
Over 90 days	2,420	1,979
Resident receivables	5,060	4,430
Other receivables	7,181	4,998
	12,241	9,428

Other receivables consist of goods and services tax rebates, mortgage holdbacks, insurance claims, miscellaneous receivables and proceeds from the non-core asset disposition.

(iii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Northview is exposed to interest rate risk on mortgages payable and its credit facilities and does not hold any financial instruments to mitigate that risk. Northview may not be able to continue to renew mortgage loans with interest rates that are lower than those currently in place. Northview utilizes both fixed and floating rate debt. Interest rate risk related to floating interest rates is limited primarily to the utilization of credit facilities. Management mitigates interest rate risk by utilizing fixed rate mortgages, ensuring access to a number of sources of funding, and staggering mortgage maturities. To the extent possible, Northview maximizes the amount of mortgages on residential rental properties where it is possible to lower interest rates through CMHC mortgage insurance.

A sensitivity analysis on floating rate debt has been completed based on the exposure to interest rates at the statement of financial position date. Floating rate debt includes all mortgages payable which are not subject to fixed interest rates and the credit facilities. A 0.50% change in interest rates, keeping all other variables constant, would change Northview's net income for the year ended December 31, 2017, by approximately \$0.5 million (December 31, 2016 – \$0.7 million). For the year ended December 31, 2017, the average floating rate debt was \$11.3 million and the average credit facilities balance was \$123.2 million (December 31, 2016 – average floating rate debt was \$10.2 million and the average credit facilities balance was \$82.2 million).

(iv) Liquidity risk

Liquidity risk is the risk that Northview is not able to meet its financial obligations as they fall due or can do so only at excessive cost. Northview manages liquidity risk by managing mortgage and loan maturities. Cash flow projections are completed on a regular basis to ensure there will be adequate liquidity to maintain operating, capital, and investment activities in addition to making monthly distributions to Unitholders. The Trustees review the current financial results and the annual business plan in determining appropriate distribution levels.

Contractual maturity for non-derivative financial liabilities at December 31, 2017:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Mortgages payable	1,786,156	2,030,176	319,618	1,018,907	691,651
Credit facilities	201,243	201,243	89,543	111,700	-
Trade and other payables ⁽ⁱ⁾	69,027	69,027	69,027	-	-
Distributions and Class B LP interest payable	7,853	7,853	7,853	-	-
Liabilities related to assets held for sale	-	-	-	-	-

⁽ⁱ⁾ Security deposits payable are included in trade and other payables.

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Contractual maturity for derivative financial liabilities at December 31, 2017:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Convertible debentures	24,839	24,839	-	24,839	-
Derivative instruments	-	-	-	-	-
Unit based payments	3,250	3,250	2,586	664	-

Contractual maturity for non-derivative financial liabilities at December 31, 2016:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Mortgages payable	1,661,532	1,918,758	213,537	1,084,217	621,004
Credit facilities	133,842	133,842	68,013	65,829	-
Trade and other payables ⁽ⁱ⁾	68,106	68,106	68,106	-	-
Distributions and Class B LP interest payable	7,571	7,571	7,571	-	-
Liabilities related to assets held for sale	18,008	18,008	18,008	-	-

⁽ⁱ⁾ Security deposits payable are included in trade and other payables.

Contractual maturity for derivative financial liabilities at December 31, 2016:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Convertible debentures	23,460	23,460	-	23,460	-
Derivative instruments	1,499	1,499	1,499	-	-
Unit based payments	1,733	1,733	-	1,733	-

Management believes that future cash flows from operations, mortgage refinancing, and cash available under the current operating facilities provide sufficient available funds through the foreseeable future to support these financial liabilities.

18. CAPITAL MANAGEMENT

Northview's objectives when managing its capital are to safeguard its assets while maximizing the growth of its business, returns to Unitholders, and maintaining the sustainability of cash distributions. Northview's capital consists of mortgages payable, credit facilities, Trust Units, and Class B LP Units.

Management monitors Northview's capital structure on an ongoing basis to determine the appropriate level of mortgages payable to be placed on specific properties at the time of acquisition or when existing debt matures. Northview follows guidelines which are set out in the DOT. In determining the most appropriate debt, consideration is given to strength of cash flow generated from the specific property, interest rate, amortization period, maturity of the debt in relation to the existing debt of Northview, interest and debt service ratios, and limits on the amount of floating rate debt. Northview has credit facilities which are used to fund acquisitions, development, and capital expenditures until specific mortgage debt is placed or additional equity is raised. Northview monitors capital on the basis of debt to gross book value ratio. The DOT provides for a maximum debt to gross book value ratio of 70%.

Northview's credit facilities contain certain financial covenants. The principal financial covenants are debt to gross book value, debt service coverage, and interest coverage. The debt to gross book value ratio covenant maximum threshold is 70%. The interest coverage ratio and debt service coverage ratio covenant minimum thresholds are at least 1.90 and 1.50, respectively. Northview's calculations of its adherence to financial covenants are considered non-GAAP measures. As at December 31, 2017 and December 31, 2016, Northview was in compliance with all financial covenants.

The following debt to gross book value, interest coverage, and debt service coverage excludes the 2019 Debentures and interest expenses on 2019 Debentures. Debt to gross book value is calculated on the consolidated entities. Interest coverage and debt service coverage are calculated based on the most recently completed four fiscal quarters

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	2017	2016
Debt to gross book value		
Cash and cash equivalent	(10,718)	(4,148)
Credit facilities	201,243	133,842
Mortgages payable (Note 9)	1,810,154	1,692,255
Debt	2,000,679	1,821,949
Investment properties	3,472,028	3,059,825
Property, plant and equipment	41,911	40,282
Assets held for sale	3,861	39,873
Accumulated depreciation	27,243	22,493
Accumulated depreciation for assets held for sale	-	4,074
Gross book value	3,545,043	3,166,547
Debt to gross book value	56.4%	57.5%
	2017	2016
Interest coverage and debt service coverage		
Net income before income taxes	212,367	77,475
Depreciation and amortization	5,025	4,967
Mortgage interest and deferred financing costs	51,970	53,004
Interest expense on credit facilities	4,614	6,043
Interest expense to Class B LP Unitholders	9,594	9,822
Business combination transaction costs	-	14,579
Fair value (gain) loss	(110,824)	10,268
Adjusted earnings	172,746	176,158
Mortgage interest and deferred financing costs	51,970	53,004
Interest expense on credit facilities	4,614	6,043
Total interest expense	56,584	59,047
Principal repayment	49,444	44,590
Debt service payments	106,028	103,637
Interest coverage	3.05	2.98
Debt service coverage	1.63	1.70

Debt to gross book value, interest coverage, and debt service coverage including the 2019 Debentures and interest expenses on 2019 Debentures are 57.1%, 3.01, and 1.62, respectively (December 31, 2016 – 58.3%, 2.94, and 1.69, respectively).

19. PERSONNEL COSTS

	2017	2016
Salaries, wages and benefits	45,405	45,988
Equity settled unit based compensation	47	103
	45,452	46,091
Personnel costs capitalized to investment properties	(8,393)	(8,406)
	37,059	37,685

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20. FINANCING COSTS

	2017	2016
Mortgage interest	50,131	48,928
Deferred financing costs	1,839	4,076
Interest expense on 2019 debentures	1,322	1,324
Interest expense on credit facilities	4,614	6,043
Interest expense to Class B LP Unitholders	9,594	9,822
Interest and other income	(1,286)	(886)
(Gain) loss on extinguishment of debt	1,839	(755)
Total	68,053	68,552

21. FAIR VALUE (GAIN) LOSS

	2017	2016
Investment properties	(140,709)	(3,228)
Interest rate swap	(239)	(16)
2019 debentures	1,380	575
Unit based payments	396	302
Class B LP Units	28,348	12,635
Total	(110,824)	10,268

22. CHANGES IN NON-CASH WORKING CAPITAL

	2017	2016
Restricted cash	(1,688)	281
Accounts receivable	(2,813)	3,333
Prepaid expenses and other assets	(1,965)	1,219
Loans receivable	3,429	2,629
Other long term assets	324	(345)
Trade and other payables	(14,584)	(2,099)
Changes in non-cash working capital from operating activities	(17,297)	5,018

The changes in non-cash working capital from investing activities for the year ended December 31, 2017, of \$1.4 million cash inflow (December 31, 2016 – \$1.3 million cash outflow) is due to the change in trade and other payables related to work in progress with respect to investment property improvements and land held for development.

23. OPERATING LEASES

As lessor, Northview leases commercial investment property held under operating leases. Commercial property operating leases have lease terms of between 1 to 20 years, with an option to extend for a further period. All commercial operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

The future minimum lease payments receivable on commercial investment properties are as follows:

	2017	2016
Less than 1 year	19,563	20,063
Between 1 and 5 years	52,733	60,299
More than 5 years	14,360	22,228
	86,656	102,590

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24. ASSETS HELD FOR SALE

As at December 31, 2017, there is one non-core property across the portfolio classified as 'Assets held for sale' with a fair value of \$3.9 million which is expected to be disposed of within twelve (12) months.

Dispositions of non-core properties for the year ended December 31, 2017, were as follows:

Property Type	Location	Units	Gross Proceeds
Multi-family	Atlantic Canada	36	4,000
Multi-family/Land	Western Canada	179	20,283
Multi-family	Ontario	269	42,820
Hotel	Northern Canada	75	14,875
Total		559	81,978

Dispositions of non-core properties for the year ended December 31, 2016, were as follows:

Property Type	Location	Units	Gross Proceeds
Multi-family	Atlantic Canada	28	1,770
Multi-family	Northern Canada	2	300
Multi-family	Ontario	489	46,500
Total		519	48,570

The assets held for sale included in the consolidated statements of financial position are:

	2017	2016
Assets		
Investment properties	3,861	24,797
Property, plant and equipment	-	15,076
	3,861	39,873
Liabilities		
Mortgages payable	-	18,008
	-	18,008
Net assets held for sale	3,861	21,865

25. RELATED PARTIES

a) Key management personnel

Key management personnel are comprised of Trustees and the Trust's executive officers. The remuneration of Northview's key management personnel is as follows:

	2017	2016
Salaries, wages and benefits	1,700	1,805
Equity settled unit based compensation	-	429
	1,700	2,234

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b) Related party transactions

Related party transactions are conducted in the normal course of operations and are made on terms equivalent to arm's length transactions.

Pursuant to the Transitional Services Agreement dated October 30, 2015, Starlight Group Property Holdings Inc. and affiliates ("Starlight") is to provide transitional services of an asset management nature for a monthly fee equal to 0.125% of the sum of: (i) the agreed upon allocated values of the properties acquired from True North and its affiliates in connection with the Transaction; (ii) the third party appraised values of the private portfolio acquired by Northview in connection with the Transaction; (iii) the purchase price of new sourced properties; (iv) the third party appraised values of added properties; and (v) the cost of any capital expenditures incurred by Northview or any of its affiliates in respect of the properties since the closing date of the Transaction. This agreement is for a term of three years ending October 30, 2018, with Northview having the option to exclude the New Brunswick and Nova Scotia properties from the agreement after October 30, 2017. At Northview's option, the term may be renewed for two additional one year terms. On October 30, 2017, Northview provided notice to Starlight terminating the transitional service agreement, effective October 30, 2018.

For the year ended December 31, 2017, the costs of these services aggregated to \$1.8 million (December 31, 2016 - \$1.9 million). Of this amount, \$1.4 million (December 31, 2016 - \$1.5 million) has been capitalized, while the remaining \$0.4 million (December 31, 2016 - \$0.4 million) has been recognized as administration expenses in the consolidated statements of net and comprehensive income.

Balance outstanding and payable to Northview from Starlight as at December 31, 2017, is \$0.2 million (December 31, 2016 - \$0.4 million) and is included in accounts receivable in the consolidated statements of financial position. The balance outstanding and payable to Starlight from Northview as at December 31, 2017, is \$0.2 million (December 31, 2016 - \$0.2 million) and is included in trade and other payables in the consolidated statements of financial position.

During the fourth quarter of 2017, Northview purchased two properties from Starlight for a total purchase price of \$58.2 million. The properties were purchased at a value consistent with an independent third-party assessment of the fair value of the properties. Fair value was calculated using expected net operating income of that property divided by the market capitalization rate at the time of the valuation. In addition, Northview issued 555,114 Class B LP Units and Special Voting Units, subject to conversion in accordance with their terms, to Starlight with a fair value of \$14.0 million. In conjunction with the transactions, a fee of \$1.6 million is payable to Starlight from Northview in accordance with the Transitional Service Agreement. The transactions were unanimously approved by the independent Trustees of Northview.

ICP and ICS are related parties as Northview has a 50% interest in ICP and a 50% interest in ICS. For the three months ended December 31, 2017, revenue from ICP and ICS related to management fees was \$0.1 million (December 31, 2016 - \$0.1 million). For the year ended December 31, 2017, revenue from ICP and ICS related to management fees was \$0.4 million (December 31, 2016 - \$0.4 million). Balance outstanding and payable to Northview from ICP and ICS related to management fees is \$0.1 million (December 31, 2016 - \$0.1 million) and is included in accounts receivable in the consolidated statements of financial position. The balance outstanding and payable to ICP and ICS from Northview as at December 31, 2017, is nil (December 31, 2016 - \$0.1 million) and is included in trade and other payables in the consolidated statements of financial position.

During the year ended December 31, 2017, nil Class B LP Units and Special Voting Units were exchanged for Trust Units by a related party. During the year ended December 31, 2016, 1,910,853 Class B LP Units and Special Voting Units, subject to conversion in accordance with their terms, were exchanged for Trust Units with a fair value of \$31.3 million by a Trustee, a related party. Exchange of Class B LP Units and Special Voting Units to Trust Units does not affect the Trustee's total ownership.

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26. SEGMENTED INFORMATION

Management uses geographic segments (i.e. groups of provinces and territories) to manage the properties. The geographic segments consist of Atlantic Canada (Newfoundland and Labrador, Nova Scotia, and New Brunswick), Northern Canada (Northwest Territories and Nunavut), Ontario, Quebec, and Western Canada (Alberta, British Columbia, and Saskatchewan). In addition, due to the differences between the commercial & executives and the residential markets, management also reviews operations by market segment.

Northview's residential portfolio is comprised of a multi-family segment: apartments, town homes, and single family rental units; where the rental period ranges from a few days to several months. The commercial and executives business segment is comprised of office, industrial, and retail properties primarily in areas where Northview has residential operations. On July 28, 2017, Northview completed the disposition of a non-core hotel asset for \$14.9 million. After the non-core hotel asset disposition, executives and hotel business segment does not meet the quantitative thresholds as a separate reportable segment; therefore it is combined with commercial business segment. The prior year market segments have been recast to reflect the current year presentation.

a) Geographic Segments

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Year ended December 31, 2017						
Rental revenue	46,282	87,801	90,463	19,072	75,835	319,453
Other revenue	1,127	2,030	4,570	550	4,185	12,462
Operating expense	(22,491)	(32,313)	(44,571)	(9,555)	(32,805)	(141,735)
Net operating income	24,918	57,518	50,462	10,067	47,215	190,180
As at December 31, 2017						
Total assets	446,442	647,560	1,253,956	208,541	982,138	3,538,637
Investment properties	429,683	618,196	1,253,108	207,288	963,753	3,472,028
Total liabilities	200,728	303,355	703,130	150,672	480,606	1,838,491

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Year ended December 31, 2016						
Rental revenue	45,061	88,255	89,725	18,401	72,225	313,667
Other revenue	955	5,644	5,351	293	6,545	18,788
Operating expense	(22,424)	(34,042)	(46,220)	(9,109)	(35,131)	(146,926)
Net operating income	23,592	59,857	48,856	9,585	43,639	185,529
As at December 31, 2016						
Total assets	408,728	626,385	986,206	184,192	949,714	3,155,225
Investment properties	383,722	594,599	970,131	181,856	929,517	3,059,825
Total liabilities	230,359	302,467	602,885	135,371	443,300	1,714,382

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

b) Market Segments

	Multi-family	Commercial and Execusuites	Total
Year ended December 31, 2017			
Rental revenue	276,864	42,589	319,453
Other revenue	11,439	1,023	12,462
Operating expense	(123,642)	(18,093)	(141,735)
Net operating income	164,661	25,519	190,180
As at December 31, 2017			
Total assets	3,252,103	286,534	3,538,637
Investment properties	3,229,026	243,002	3,472,028
Total liabilities	1,697,152	141,339	1,838,491
	Multi-family	Commercial and Execusuites	Total
Year ended December 31, 2016			
Rental revenue	268,668	44,999	313,667
Other revenue	17,830	958	18,788
Operating expense	(127,249)	(19,677)	(146,926)
Net operating income	159,249	26,280	185,529
As at December 31, 2016			
Total assets	2,875,882	279,343	3,155,225
Investment properties	2,821,454	238,371	3,059,825
Total liabilities	1,569,525	144,857	1,714,382

c) Reconciliation of reportable segment net income

	2017	2016
Total net operating income for reportable segments	190,180	185,529
Financing costs	(68,053)	(68,552)
Administration	(14,738)	(9,830)
Depreciation and amortization	(5,025)	(4,967)
Loss on sale of properties	(1,668)	(722)
Equity income from joint ventures	847	864
Business combination transaction costs	-	(14,579)
Fair value gain (loss)	110,824	(10,268)
Net and comprehensive income	212,367	77,475

d) Reconciliation of reportable segment assets

	2017	2016
Total assets for reportable segments	3,538,637	3,155,225
Investment in joint ventures	6,920	6,274
Other assets	4,199	2,376
Restricted cash and cash	23,660	6,721
Assets held for sale	-	15,076
Total assets	3,573,416	3,185,672

NORTHVIEW APARTMENT REAL ESTATE INVESTMENT TRUST**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Years ended December 31, 2017 and 2016

(Tabular amounts expressed in thousands of Canadian dollars except where indicated)

e) Reconciliation of reportable segment liabilities

	2017	2016
Total liabilities for reportable segments	1,838,491	1,714,382
Class B LP Units	166,147	115,971
Convertible debentures	24,839	23,460
Derivative instruments	-	1,499
Credit facilities	201,243	133,842
Trade and other payables	17,594	15,986
Distributions and Class B LP interest payable	7,853	7,571
Unit based payments	3,250	1,733
Liabilities related to assets held for sale	-	18,008
Total liabilities	2,259,417	2,032,452

27. SUBSEQUENT EVENTS

Between January 1, 2018, and February 27, 2018, Northview acquired one piece of land in Ontario, for \$5.3 million.