Northview™

APARTMENT REIT

Consolidated Financial Statements and Notes

For the years ended December 31, 2018 and 2017

MANAGEMENT'S REPORT

To the Unitholders of Northview Apartment Real Estate Investment Trust ("Northview"):

The accompanying consolidated financial statements of Northview 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.

KPMG 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"	"Signed"
Todd R. Cook Chief Executive Officer	Travis Beatty Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Northview Apartment Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Northview Apartment Real Estate Investment Trust ("the Trust"), which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of net and comprehensive income for the year then ended;
- the consolidated statement of changes in unitholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

Hereinafter referred to as the "financial statements".

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Trust as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Comparative Information

The consolidated financial statements of Northview Apartment Real Estate Investment Trust as at and for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 27, 2018.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- and the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard. The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled the "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Trust’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Trust‘s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Ernest Trevor Hammond.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
February 27, 2019

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

	Note	December 31, 2018	December 31, 2017
Assets			
Non-current assets			
Investment properties	**6**	**4,080,000**	3,472,028
Property, plant and equipment	**7**	**38,419**	41,911
Investment in joint ventures	**8**	**7,549**	6,920
Other long-term assets		**6,240**	5,821
Loans receivable		**270**	546
		4,132,478	3,527,226
Current assets			
Assets held for sale	**25**	**4,737**	3,861
Accounts receivable	**17(b)(ii)**	**14,541**	12,241
Restricted cash		**10,151**	12,942
Cash and cash equivalents		**9,703**	10,718
Prepaid expenses and other assets		**5,524**	5,152
Loans receivable		**234**	1,276
		44,890	46,190
Total Assets		**4,177,368**	3,573,416
Liabilities			
Non-current liabilities			
Mortgages payable	**10**	**1,701,883**	1,511,420
Credit facilities	**12**	**-**	111,700
Class B LP Units	**15(b)**	**209,388**	167,049
Convertible debentures	**11**	**-**	24,839
Unit based payments	**13**	**1,888**	664
		1,913,159	1,815,672
Current liabilities			
Mortgages payable	**10**	**326,783**	274,736
Credit facilities	**12**	**176,230**	89,543
Trade and other payables		**86,722**	69,027
Convertible debentures	**11**	**18,363**	-
Distributions and Class B LP interest payable		**8,794**	7,853
Liabilities related to assets held for sale	**25**	**440**	-
Unit-based payments	**13**	**6,231**	2,586
		623,563	443,745
Total Liabilities		**2,536,722**	2,259,417
Unitholders' equity			
Equity attributable to Unitholders		**1,639,594**	1,312,875
Non-controlling interests		**1,052**	1,124
Total Equity		**1,640,646**	1,313,999
Total Liabilities and Equity		**4,177,368**	3,573,416

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	2018	2017
Revenue	**4**	**363,968**	330,999
Operating expenses		**151,842**	141,735
Net operating income		**212,126**	189,264
Other expense (income)			
Financing costs	**20**	**78,682**	68,053
Administration		**16,703**	14,738
Depreciation and amortization		**5,118**	5,025
Loss on disposition		**564**	1,668
Equity income from joint ventures	**8**	**(829)**	(847)
Fair value gain	**21**	**(175,018)**	(110,824)
Proceeds on insurance settlement	**22**	**(2,723)**	(916)
		(77,503)	(23,103)
Net and comprehensive income		**289,629**	212,367
Net and comprehensive income attributable to:			
Unitholders		**289,541**	212,221
Non-controlling interests		**88**	146
Net and comprehensive income		**289,629**	212,367

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	2018	2017
Units			
Balance, January 1		**1,187,980**	1,157,774
Trust Units issued, net of issuance cost	**15(a)**	**127,127**	30,206
Balance, December 31		**1,315,107**	1,187,980
Retained earnings			
Cumulative net income			
Balance, January 1		**572,310**	360,089
Net and comprehensive income attributable to Unitholders		**289,541**	212,221
IFRS 9 adoption adjustment	**5**	**(1,791)**	-
Balance, December 31		**860,060**	572,310
Cumulative distributions to Unitholders			
Balance, January 1		**(447,415)**	(365,853)
Distributions declared to Unitholders	**15(c)**	**(88,158)**	(81,562)
Balance, December 31		**(535,573)**	(447,415)
Cumulative retained earnings, December 31		**324,487**	124,895
Equity attributable to Unitholders		**1,639,594**	1,312,875
Non-controlling interests			
Balance, January 1		**1,124**	1,210
Net and comprehensive income attributable to non-controlling interest		**88**	146
Distributions to non-controlling interests		**(160)**	(232)
Balance, December 31		**1,052**	1,124
Total Unitholders' equity		**1,640,646**	1,313,999

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	2018	2017
Operating activities:			
Net and comprehensive income		**289,629**	212,367
Adjustments:			
Fair value gain	**21**	**(175,018)**	(110,824)
Mortgage and credit facilities interest expense	**20**	**66,857**	56,584
Mortgage and credit facilities interest paid		**(66,857)**	(56,591)
Interest expense to Class B LP Unitholders	**20**	**11,614**	9,594
Interest paid to Class B LP Unitholders		**(11,360)**	(9,594)
Depreciation and amortization		**5,118**	5,025
Interest expense on convertible debentures	**20**	**1,176**	1,322
Interest paid on convertible debentures		**(1,176)**	(1,322)
Loss on disposition		**564**	1,668
Equity income from joint ventures	**8**	**(829)**	(847)
Long-term incentive plan compensation		**5,159**	1,326
Cash settled long-term incentive		**(252)**	-
Changes in non-cash working capital	**23**	**14,448**	(17,297)
Cash provided by operating activities		**139,073**	91,411
Financing activities:			
Proceeds from mortgages	**10**	**474,507**	240,703
Repayment of mortgages	**10**	**(271,399)**	(160,962)
(Repayment) borrowing of credit facilities, net	**12**	**(25,013)**	67,401
Distributions paid to Unitholders		**(87,472)**	(81,562)
Settlement of interest rate swap		**-**	(1,260)
Proceeds from the issuance of Trust Units, net	**15**	**120,686**	-
Distributions to non-controlling interests		**(160)**	(232)
Cash provided by financing activities		**211,149**	64,088
Investing activities:			
Acquisition of investment properties and land	**6**	**(243,902)**	(147,510)
Capital expenditures on investment properties under development	**6**	**(51,736)**	(28,206)
Capital expenditures on investment properties	**6**	**(68,610)**	(51,781)
Proceeds from sale of assets and investment properties, net		**12,208**	81,978
Acquisition of property, plant and equipment	**7**	**(1,623)**	(5,050)
Distributions received from equity investees		**200**	201
Changes in non-cash working capital	**23**	**2,226**	1,439
Cash used in investing activities		**(351,237)**	(148,929)
Net (decrease) increase in cash and cash equivalents		**(1,015)**	6,570
Cash and cash equivalents, January 1		**10,718**	4,148
Cash and cash equivalents, December 31		**9,703**	10,718

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF THE REPORTING ENTITY

Northview Apartment Real Estate Investment Trust ("Northview") is an unincorporated, open-ended real estate investment trust ("REIT") created pursuant to a declaration of trust ("DOT") 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 27,000 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 REIT for tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation 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 except for the impact of adopting the new accounting standards and amendments to standards as outlined in Note 3A. 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 Board of Trustees of Northview (the "Trustees") on February 27, 2019.

Certain prior period amounts have been reclassified for consistency with current period presentation. Commencing the first quarter of 2018, Northview concluded it was appropriate to reclassify insurance proceeds from revenue to other expense (income) below net operating income due to the nature of the amount. These reclassifications did not impact the reported results of operations or Northview's cash flows.

B. Principles of consolidation

These consolidated financial statements include the accounts of Northview, subsidiaries (wholly and partially-owned), and joint arrangements. Subsidiaries are entities controlled by Northview. The financial transactions of subsidiaries are included in the consolidated financial statements from the date control is obtained. 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. The accounting policies of subsidiaries, partially owned partnerships, and joint arrangements are the same as those of Northview.

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.

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 annual net operating income to calculate the fair value of the remainder of Northview's investment properties within the region. 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, execusuites and retail).

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.

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

Capital expenditures include value enhancing capital expenditures ("value enhancing capex") and maintenance capital expenditures ("maintenance capex"). Value enhancing capex are expected to increase the net operating income ("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.

Transaction 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.

D. Asset acquisition / business combination

At the time of acquisition of property, whether through a controlling share investment or directly, Northview considers whether the acquisition represents the acquisition of a business. Northview accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured at the fair value of the assets paid, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. Northview recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination.

Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income. The difference between the purchase price and the fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. A bargain purchase gain is recognized immediately in the consolidated statement of net and comprehensive income. Northview expenses transaction costs associated with business combinations in the period incurred.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated upon initial recognition to the assets and liabilities acquired based upon their relative fair values.

Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period", which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date. Subsequent changes in fair value of contingent consideration classified as assets or liabilities that do not qualify as measurement period adjustments are recognized as a gain or loss in net income.

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. 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 execusuites and hotels, are classified as property, plant and equipment ("PP&E") in accordance with IAS 16 – Property, Plant and Equipment. 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

Capital expenditures ("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

Significant parts of the buildings are accounted for as separate components of the property, based on management's judgement 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. The cost of replacing a major component of a building is recognized in the carrying amount of the building if it is probable that the future economic benefits embodied within the component will flow to Northview and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of ongoing repairs and maintenance of the properties are recognized in profit or loss as incurred.

Costs include 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.

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.

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 ("OCI") for fair value increases. Differences in the fair value are recorded in net income for fair value decreases.

H. Impairment

The carrying amounts of Northview's PP&E and intangible assets with finite useful lives 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, assumptions include estimates of future operating cash flows, the time period over which they will occur, a discount rate and growth rates.

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

Non-current assets that are expected to be recovered primarily though sale rather than through continuing use are classified as held for sale. A non-current asset is classified as an asset held for sale when a sale is considered to be highly probable. This is at the point in time when management has committed to a plan to sell the asset; there is an active program to locate a buyer; the non-current asset is being actively marketed at a reasonable price in relation to the current fair value of the asset; the sale is highly probable and is expected to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. 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 highly probable and expected to be completed shortly after the end of the current period. Non-current liabilities that are to be assumed by the buyer upon disposition of the non-current asset, are also classified as held for sale. Non-current assets and non-current liabilities held for sale are separately classified from other assets and other liabilities in the consolidated statement of financial position.

J. Financial instruments

a. Non-derivative financial assets

At initial recognition, Northview measures its accounts receivables arising from contracts with customers that do not have a significant financing component at the transaction price. Northview initially measures other financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of net and comprehensive income.

For subsequent measurement, Northview classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

i) Debt instruments

The subsequent measurement of debt instruments will depend on Northview's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories under which Northview classifies its debt instruments: amortized cost, fair value through OCI ("FVOCI"), and fair value through profit or loss ("FVTPL").

Northview reclassifies debt investments only when its business model for managing those assets changes.

ii) Equity instruments

Northview subsequently measures all non-associated equity investments at fair value. Where Northview's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when Northview's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

iii) Impairment

Northview assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI.

The impairment methodology generally applied depends on whether there has been a significant increase in credit risk since initial recognition.

Currently, Northview does not have material financial assets subject to this general impairment approach.

For accounts receivables and tenant receivables, Northview applies the expected lifetime losses to be recognized from initial recognition of the receivables.

Individual receivables are written off after 180 days post tenant move-out date by reducing the carrying amount directly. Impairment losses are recognized in profit or loss. Subsequent recoveries of amounts previously written off are recorded as credits against losses recognized.

b. Non-derivative financial liabilities

At initial recognition, Northview measures a financial liability at its fair value minus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the issuance of the financial liability. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

For subsequent measurement, Northview classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortized cost.

Financial liabilities are classified as FVTPL if they are designated as such by management provided certain conditions are met. Financial liabilities designated as FVTPL are measured at fair value with changes in fair value recognized in profit or loss, except for changes due to the effect of credit risk. Such changes in fair value due to the effect of credit risk are recorded in OCI without subsequent recycling to profit or loss.

Financial liabilities that are measured at amortized cost are accounted for using the effective interest rate method.

c. Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Changes in fair value of derivative instruments not designated as part of a hedging relationship are recorded in profit or loss when such changes occur.

The above policies apply to periods beginning on January 1, 2018.

K. Income taxes

Northview is a mutual fund trust and a "real estate investment trust" as defined in the Income Tax Act (Canada). Under current tax legislation, a "real estate investment trust" is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to Unitholders. Northview is a real estate investment trust as it meets prescribed conditions under the Income Tax Act (Canada) relating to the nature of its assets and revenue (the "REIT Conditions"). The REIT qualifies as a "real estate investment trust" and intends to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes. 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. "Unitholders" in these consolidated financial statements refer to Northview unitholders ("Trust Unitholders") and the Class B LP unitholders ("Class B LP Unitholders").

L. Unit based payments

a. Unit award plan

"Units" in these consolidated financial statements refer to the publicly traded Northview Trust Units ("Trust Units") and the Limited Partnership Class B units ("Class B LP Units"). Each time a Class B LP Unit is issued, a special voting unit of Northview ("Special Voting Unit") is simultaneously issued, which together have an equivalent economic value to, and can be exchanged for, Trust Units. Under a unit award plan (the "Unit Award Plan"), Northview issues performance units ("PUs") and restricted units ("RUs") to executives and key personnel of Northview.

Under these plans, the fair value of the PUs and RUs is recognized as compensation expense over the vesting period with an offsetting amount recorded as a liability. Northview records compensation expense and unit based payments based on the fair values of the PUs and RUs over the vesting period, less an estimated forfeiture rate. The estimated forfeiture rate is based on the historical forfeiture rate. As PUs and RUs 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 PUs and RUs is credited to unitholders equity with a corresponding reduction to the liability. The unit plans are presented as liabilities as Northview is obliged to provide the holder with Trust Units once the PUs and RUs vest. The PUs and RUs 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 PUs and RUs is calculated based on the observable market price of Trust Units. The PUs and RUs accumulate additional PUs and RUs at the same rate that distributions are paid on Trust Units.

b. Deferred unit plan ("DUP")

Northview has a DUP whereby the Trustees receive a portion of their annual retainer in the form of deferred units ("DUs") that vest immediately when granted. DUs are distributable to the Trustee (or, where the Trustee has died, his or her estate) only following an event, including retirement and death, causing the Trustee to no longer be a Trustee. The DUs are equivalent in value to Trust Units and accumulate additional DUs at the same rate that distributions are paid on Trust Units. Northview measures DUs 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, there are two types of joint arrangements – joint operations and joint ventures. The type of joint arrangements is 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 their respective 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 Northview'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. Intangible assets with finite useful lives

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.

O. IFRS 15 - Revenue from contracts with customers

Rental revenue from income producing property is recognized when a tenant commences occupancy of a property and rent is due. Northview retains all risks and rewards related to the ownership of its investment properties and therefore accounts for leases with tenants as operating leases. 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 lease term. Accordingly, differences between the rental revenue recorded on a straight-line basis and the rent that is contractually due from the tenant is recorded as deferred rent receivable for accounting purposes.

Revenue from contracts with customers include revenue from services delivered over time under enforceable customer contracts. For commercial customers, services include cleaning, provision of utilities, snow removal, landscaping, maintenance of common areas, garbage disposal, and other similar miscellaneous services (collectively referred to as "commercial common area maintenance services"). Commercial building insurance and property taxes are included in rental revenue. For residential customers, services include the provision of in-suite utilities, maintenance of common areas, garbage disposal and other similar services ("residential service components"). Residential revenue is allocated to the service components using a cost-based approach. Revenue for commercial leases is allocated to the non-lease service component based on the consideration directly related to it in accordance with the lease agreement. Revenue from commercial common area maintenance services and residential service components are recognized over time as services are performed in the amounts that Northview has the right to invoice. To determine the amounts that Northview has a right to invoice during the year, estimates are made to ensure that the revenue recognized is highly probable of not being reversed in subsequent periods.

Execusuites revenue is recorded as rental revenue and is recognized evenly over each distinct execusuite stay.

Northview does not have contracts with customers where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year, other than rent and security deposits obtained for security purposes rather than financing. As a result, Northview does not adjust any transaction prices for the time value of money.

Tenant inducements for commercial and residential tenants are allocated between rental revenue and commercial common area maintenance services and residential service component revenue on the basis of relative fair value and are recorded on a straight-line basis over the term of the lease.

Northview recognizes an impairment loss on contract acquisition costs in profit or loss to the extent that the carrying amount of the asset exceeds the remaining amount of the related contract consideration expected to be received, adjusted for the effects of customer credit risk, less the remaining costs directly related to providing the services under the contract. Northview recognizes in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal cannot exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.

P. Class B LP units

The 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. The Class B LP Units 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.

Q. Unit capital and earnings per unit

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

As a result of the redemption feature of Trust Units, they meet the definition of a financial liability 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.

R. Unit repurchases

If Northview repurchases Trust Units, those Trust Units are deducted from Trust 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 Trust Unitholders' equity.

S. Distributions to Trust Unitholders and Class B LP Unitholders

Trust 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 Trust Units.

Pursuant to the DOT, each Class B LP Unit entitles the holder thereof to receive, upon a distribution by Northview to Trust Unitholders, an amount equal to the distribution that such holder would receive if they were holding that number of Trust Units for which the Class B LP Unit is exchangeable.

T. Convertible debentures

The convertible debentures are convertible into Trust Units. As the Trust Units are redeemable at the option of the holder, the convertible debentures are recognized as liabilities and recorded at fair value. Changes in fair value are recognized in the consolidated statements of net and comprehensive income. The interest paid on the convertible debentures is accounted for as financing costs.

U. 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.

V. Fair value measurement

Northview measures financial instruments, such as Class B LP Units and convertible debentures, and non-financial assets, such as investment properties, at fair value at each balance sheet date. 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 under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Northview.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests.
A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Northview uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

(b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

(c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, Northview determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

a. Estimates

i) 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 Cap 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.

ii) Depreciation and amortization

Depreciation and amortization are calculated to recognize 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.

iii) 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.

b. Judgments

i) Purchase of investment properties

Northview reviews its purchases of investment property to determine whether or not the purchase is a business combination as IFRS requires differing treatment of property acquisitions depending on whether or not the purchase meets the definition 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.

ii) 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.

iii) 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.

iv) 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

A. New accounting standards and interpretations

Northview has applied new and revised IFRSs issued by IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2018. Northview adopted the following new and amended accounting standards:

- IFRS 9 – Financial Instruments (“IFRS 9”)
- IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)
- Amendments to IFRS 2 – Share Based Payment (“IFRS 2”)
- Amendments to IAS 40 – Investment Properties (“IAS 40”)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”)

In May 2014, the IASB issued IFRS 15, replacing IAS 18, “Revenue”, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers. Northview adopted the standard on January 1, 2018 with the impact of implementation disclosed in Note 4 to the consolidated financial statements.

In July 2014, the IASB issued the final version of IFRS 9, which introduced new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 also introduces an expected loss impairment model for all financial assets not measured at fair value through profit or loss ("FVTPL") that requires recognition of expected credit losses rather than incurred losses as applied under the previous standard. Northview adopted the standard on January 1, 2018 with the impact of implementation disclosed in Note 5 to the consolidated financial statements.

Northview applied the amendments to IFRS 2, IAS 40, and IFRIC 22 prospectively from January 1, 2018. The remaining standards were adopted retrospectively, without restatement of prior periods, using certain available options and practical expedients described below. For periods ending prior to January 1, 2018, the accounting policies followed are as disclosed below. For periods beginning January 1, 2018, the accounting policies related to the above standards are disclosed in Note 2 above. There is no impact of adopting IFRIC 22 or the amendments to IFRS 2 and IAS 40. The impact of adopting IFRS 15 and 9 are described above.

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

B. Recent accounting pronouncements

The IASB has issued the following standard that has 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 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 has substantially completed its assessment of the impact of IFRS 16 on its consolidated financial statements. Northview has investment properties located on lands in Ontario and Northern Canada that are leased. The leases are currently treated as operating leases with the payments expensed through the statement of net and comprehensive income. Under IFRS 16 Northview will recognizes these leases on the balance sheet. Subject to reaching final conclusions on the appropriate lease term and discount rate, Northview estimates that it will recognize additional lease liabilities ranging from \$10.0 million to \$15.0 million. The corresponding right of use asset is expected to be recorded as an increase to investment properties as these leases meet the definition of investment property under IAS 40.
Amendments to IFRS 3 – Business Combinations	
The IASB issued amendments to IFRS 3 – Business Combinations, that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group or similar identifiable assets. The standard is effective for annual periods beginning on or after January 1, 2019.	Management is assessing the potential impact of the amendments, however, does not expect them to have a material impact on Northview's consolidated financial statements.

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

4. IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Northview adopted IFRS 15 using the modified retrospective method, without restating prior periods. In applying this method, Northview elected to use the practical expedient in IFRS 15, reflecting as at January 1, 2018, the aggregate effect of all the contract modifications that occurred prior to January 1, 2018 (the date of initial application).

At the date of initial application, no cumulative effect adjustments to retained earnings were required as a result of adopting IFRS 15.

Had Northview continued to apply IAS 18 (the previous IFRS) during year ended December 31, 2018, it would not separately disclose revenue from common area maintenance services for commercial customers and service components for residential customers (see disclosure below). There would be no other material impact as a result of applying IFRS 15 as compared to IAS 18.

Revenue from contracts with customers and revenue from other sources by region for the year ended December 31, 2018:

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Rental revenue	32,943	59,794	88,284	16,570	66,053	263,644
Revenue from contracts with customers:						
Commercial common area maintenance services and execusuites	4,941	13,145	168	-	66	18,320
Residential service components	13,474	18,987	22,324	5,046	18,037	77,868
Other revenue	603	188	2,233	214	898	4,136
Total revenue	51,961	92,114	113,009	21,830	85,054	363,968

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

5. IFRS 9 – FINANCIAL INSTRUMENTS

As described in Note 3A, Northview has adopted IFRS 9, which resulted in changes to accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on Northview's retained earnings due to the adoption of IFRS 9 as at January 1, 2018 is as follows:

	January 1, 2018
Opening retained earnings attributable to Unitholders – IAS 39	**124,895**
Increase in provision for tenant receivables	**(1,791)**
Opening retained earnings attributable to Unitholders – IFRS 9	**123,104**

a) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model, which considers the possible impact of future events over the expected life of financial assets.

Northview has two types of financial assets subject to IFRS 9's new expected credit loss model:

- miscellaneous trade accounts receivable and tenant receivables (collectively "accounts receivable")
- debt instruments (loans receivable and instalment notes receivable) carried at amortized cost

Northview was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

For accounts receivable, Northview applies the simplified approach requiring the use of the lifetime expected loss provision for all trade receivables. The ECLs for accounts receivable were calculated using the actual loss experience over the past two years. Northview considers that model and some of the assumptions in calculating these ECLs for residential accounts receivable as a source of estimation uncertainty. Management estimated that during year ended December 31, 2018, estimates of ECLs would not be materially impacted by future economic forecasts. For commercial accounts receivable including execusuites, there is no significant history or expectation of non-collection; therefore, the IFRS 9 allowance recorded approximates historical nominal balances. Northview will continue to monitor commercial accounts and will revise estimates when different circumstances arise.

The following table provides information about the exposure to credit risk and ECLs for resident accounts receivables as at January 1, 2018:

	December 31, 2017		**January 1, 2018**		
	Gross Accounts Receivable (IAS 39)	**AFDA Provision (IAS 39)**	**Gross Accounts Receivable (IFRS 9)**	**AFDA Provision (IFRS 9)**	**Opening Retained Earnings Adjustment**
Residential accounts more than 90 days past due	14,189	12,358	14,189	13,209	(851)
Residential accounts less than or 90 days past due	2,185	-	2,185	940	(940)
Commercial and execusuites	1,072	28	1,072	28	-
	17,446	**12,386**	**17,446**	**14,177**	**(1,791)**

There was no effect of the changes to the impairment methodology for debt instruments carried at amortized cost, and no impairment losses were recorded for such assets during the year ended December 31, 2018. The impact of the changes to the impairment methodology for accounts receivable is disclosed in the table above.

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

b) Measurement of financial assets and liabilities

On January 1, 2018 and based on the facts and circumstances existing on that date, Northview's management assessed which business model applied to the financial assets held by Northview on that date, and the designation and revocation of previous designations for certain financial assets and liabilities measured at FVTPL. Consequently, management classified its financial assets into the appropriate measurement categories. There were no changes to the measurement of financial assets or liabilities other than as a result of the additional loss allowance described above. There was no financial reporting effect as a result of adopting the IFRS 9 classifications and no reclassifications required.

On the date of initial application, the financial instruments of Northview were as follows:

	Measurement Category		Carrying Amount	
	IAS 39	**IFRS 9**	**IAS 39**	**IFRS 9**
Financial assets				
Non-current financial assets				
Other long-term assets	Loans and receivables	Amortized cost	5,821	5,821
Loans receivable	Loans and receivables	Amortized cost	546	546
Current financial assets				
Accounts receivable	Loans and receivables	Amortized cost	12,241	10,450
Restricted cash	FVTPL	Amortized cost	12,942	12,942
Cash and cash equivalents	FVTPL	Amortized cost	10,718	10,718
Loans receivable	Loans and receivables	Amortized cost	1,276	1,276
Financial liabilities				
Non-current financial liabilities				
Mortgages payable	Other financial liabilities	Amortized cost	1,511,420	1,511,420
Convertible debentures	FVTPL (designated)	FVTPL (designated)	24,839	24,839
Credit facilities	Other financial liabilities	Amortized cost	111,700	111,700
Class B LP Units	FVTPL (designated)	FVTPL (designated)	167,049	167,049
Current financial liabilities				
Mortgages payable	Other financial liabilities	Amortized cost	274,736	274,736
Trade and other payables	Other financial liabilities	Amortized cost	69,027	69,027
Derivative instruments	FVTPL	FVTPL	-	-
Distributions and Class B LP interest payable	Other financial liabilities	Amortized cost	7,853	7,853
Credit facilities	Other financial liabilities	Amortized cost	89,543	89,543

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

6. INVESTMENT PROPERTIES

	2018	2017
Investment properties	**4,016,948**	3,410,609
Investment properties under development	**31,771**	38,791
Land held for development	**31,281**	22,628
Balance, December 31	**4,080,000**	3,472,028

Changes to investment properties:

	2018	2017
Balance, January 1	**3,472,028**	3,059,825
Acquisitions of investment properties	**321,836**	236,471
Acquisitions of land	**11,908**	2,730
Disposals[(1)]	**(13,403)**	(46,102)
Transfers to property, plant and equipment	**-**	(1,592)
Capital expenditures on investment properties under development	**51,736**	28,206
Capital expenditures on investment properties	**68,610**	51,781
Fair value gain	**167,285**	140,709
Balance, December 31	**4,080,000**	3,472,028

[(1)] Disposals are net of investment properties transferred to and from assets held for sale.

Changes to investment properties by region as at December 31, 2018:

	Atlantic Canada	**Northern Canada**	**Ontario**	**Quebec**	**Western Canada**	**Total**
Balance, January 1	**429,683**	**618,196**	**1,253,108**	**207,288**	**963,753**	**3,472,028**
Acquisitions of investment properties	**31,418**	**5,212**	**263,182**	**-**	**22,024**	**321,836**
Acquisitions of land	**-**	**-**	**5,375**	**-**	**6,533**	**11,908**
Disposals[(1)]	**-**	**(2,080)**	**-**	**-**	**(11,323)**	**(13,403)**
Capital expenditures on investment properties under development	**-**	**3,741**	**1,621**	**-**	**46,374**	**51,736**
Capital expenditures on investment properties	**12,693**	**5,076**	**32,931**	**5,228**	**12,682**	**68,610**
Fair value (loss) gain	**(11,147)**	**1,761**	**126,453**	**4,815**	**45,403**	**167,285**
Balance, December 31	**462,647**	**631,906**	**1,682,670**	**217,331**	**1,085,446**	**4,080,000**

[(1)] Disposals are net of investment properties transferred to and from assets held for sale.

Changes to investment properties by region as at December 31, 2017:

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Balance, January 1	383,722	594,599	970,131	181,856	929,517	3,059,825
Acquisitions of investment properties	41,842	-	144,690	24,383	25,556	236,471
Acquisitions of land	-	-	-	-	2,730	2,730
Disposals[(1)]	-	-	(37,690)	-	(8,412)	(46,102)
Transfers to property, plant and equipment	-	-	-	-	(1,592)	(1,592)
Capital expenditures on investment properties under development	-	9,280	-	-	18,926	28,206
Capital expenditures on investment properties	9,928	3,784	24,823	5,994	7,252	51,781
Fair value gain (loss)	(5,809)	10,533	151,154	(4,945)	(10,224)	140,709
Balance, December 31	429,683	618,196	1,253,108	207,288	963,753	3,472,028

[(1)] Disposals are net of investment properties transferred to and from assets held for sale.

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

During the year ended December 31, 2018, Northview transferred $62.0 million (December 31, 2017 – $9.8 million) from investment properties under development to investment properties.

During the year ended December 31, 2018, Northview capitalized borrowing costs of $1.2 million (as at December 31, 2017 – $0.4 million) to investment properties under development.

Dispositions of non-core properties for the year ended December 31, 2018 and 2017, were as follows:

Location	**2018**		2017	
	Units	**Gross Proceeds**	Units	Gross Proceeds
Ontario	**-**	**-**	269	42,820
Western Canada	**214**	**12,250**	179	20,283
Atlantic Canada	**-**	**-**	36	4,000
Northern Canada	**2**	**335**	75	14,875
Total	**216**	**12,585**	559	81,978

Acquisitions for the year ended December 31, 2018 were as follows:

Location	**Units**	**Transaction Costs**	**Purchase price**	**Assumed mortgage**	**Class B LP Units issued**	**Total cost**
Ontario	**1,154**	**7,076**	**182,271**	**29,210**	**50,000**	**268,557**
Western Canada	**137**	**1,550**	**27,007**	**-**	**-**	**28,557**
Atlantic Canada	**131**	**478**	**20,308**	**10,632**	**-**	**31,418**
Northern Canada[(1)]	**-**	**62**	**5,150**	**-**	**-**	**5,212**
Total	**1,422**	**9,166**	**234,736**	**39,842**	**50,000**	**333,744**

[(1)] Northview acquired a commercial property in Northern Canada in the second quarter of 2018.

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

Location	Units	Transaction Costs	Purchase price	Assumed mortgage	Class B LP Units issued	Trust units issued	Total cost
Ontario	851	4,455	90,299	13,321	15,900	20,715	144,690
Western Canada	126	155	22,031	-	6,100	-	28,286
Atlantic Canada	399	709	18,663	18,859	-	3,611	41,842
Quebec	201	658	10,540	7,511	-	5,674	24,383
Total	1,577	5,977	141,533	39,691	22,000	30,000	239,201

During the year ended December 31, 2018, Northview purchased seven properties from Starlight Group Property Holdings Inc. and affiliates ("Starlight"), a related party, for a total purchase price of $180.0 million excluding closing costs. During the year ended December 31, 2017, Northview purchased two properties from Starlight for a total purchase price of $58.2 million. Refer to Note 26(b) for details of the related party transactions.

Northview uses the Cap Rate method to value investment properties. As at December 31, 2018, Cap Rates ranging from 3.25% to 13.00% (December 31, 2017 – 3.25% to 13.00%) were applied to a projected stabilized NOI. The weighted average Cap Rate applied to fair value Northview's investment properties as at December 31, 2018, is 5.92% (December 31, 2017 – 6.24%).

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

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

	2018			2017		
Regions	**Minimum**	**Maximum**	**Weighted Average**	Minimum	Maximum	Weighted Average
Atlantic Canada	**5.00%**	**9.50%**	**6.57%**	5.50%	9.50%	6.74%
Northern Canada	**6.86%**	**13.00%**	**9.17%**	6.86%	13.00%	9.14%
Ontario	**3.25%**	**5.75%**	**4.34%**	3.25%	6.00%	4.52%
Quebec	**4.50%**	**7.55%**	**5.74%**	4.50%	7.55%	5.74%
Western Canada	**4.00%**	**11.00%**	**6.23%**	4.25%	11.00%	6.59%
Overall	**3.25%**	**13.00%**	**5.92%**	3.25%	13.00%	6.24%

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

	2018			2017		
Regions	**Weighted Average**	**Increase**	**Decrease**	Weighted Average	Increase	Decrease
Atlantic Canada	**6.57%**	**(6,931)**	**7,146**	6.74%	(6,305)	6,495
Northern Canada	**9.17%**	**(6,808)**	**6,958**	9.14%	(6,693)	6,841
Ontario	**4.34%**	**(37,704)**	**39,483**	4.52%	(27,157)	28,387
Quebec	**5.74%**	**(3,817)**	**3,952**	5.74%	(3,597)	3,724
Western Canada	**6.23%**	**(17,212)**	**17,774**	6.59%	(14,519)	14,966
Overall	**5.92%**	**(72,472)**	**75,313**	6.24%	(58,271)	60,413

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

Regions	**2018**	2017
Atlantic Canada	**4,624**	4,309
Northern Canada	**6,311**	6,186
Ontario	**16,738**	12,537
Quebec	**2,228**	2,099
Western Canada	**10,894**	9,709
Overall	**40,795**	34,840

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

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Other	Total
Cost or deemed cost				
Balance, January 1, 2017	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, December 31, 2017	**2,167**	**57,462**	**9,525**	**69,154**
Additions for the year	**-**	**372**	**1,251**	**1,623**
Disposals for the year	**(1)**	**(71)**	**(297)**	**(369)**
Balance, December 31 2018	**2,166**	**57,763**	**10,479**	**70,408**
Accumulated depreciation				
Balance, January 1, 2017	-	15,746	6,748	22,494
Depreciation for the year	-	4,153	831	4,984
Disposals for the year	-	(32)	(203)	(235)
Balance, December 31, 2017	**-**	**19,867**	**7,376**	**27,243**
Depreciation for the year	**-**	**4,268**	**798**	**5,066**
Disposals for the year	**-**	**(25)**	**(295)**	**(320)**
Balance, December 31 2018	**-**	**24,110**	**7,879**	**31,989**
Carrying amounts				
December 31, 2017	2,167	37,595	2,149	41,911
December 31, 2018	**2,166**	**33,653**	**2,600**	**38,419**

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

8. INVESTMENT IN JOINT VENTURES

Northview has a 50% interest in ICS and a 50% interest in ICP. The ownership of ICS is between Zheh Gwizu' Limited Partnership and NPR Limited Partnership ("NPRLP") for the purpose of investing in an income producing execusuite property in the Northwest Territories. The ownership of ICP is between 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. There has been no change in Northview's 50% ownership and voting interests in these joint ventures for the year ended December 31, 2018 and 2017.

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Northview share of net assets
December 31, 2018								
ICP	**1,959**	**14,961**	**16,920**	**2,515**	**2,823**	**5,338**	**11,582**	**5,791**
ICS	**1,386**	**5,098**	**6,484**	**673**	**2,295**	**2,968**	**3,516**	**1,758**
Total	**3,345**	**20,059**	**23,404**	**3,188**	**5,118**	**8,306**	**15,098**	**7,549**
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

	Revenue	Expenses	Net Income	Northview share of net income
Year ended December 31, 2018				
ICP	**3,228**	**2,425**	**803**	**402**
ICS	**2,557**	**1,703**	**854**	**427**
Total	**5,785**	**4,128**	**1,657**	**829**
Year ended December 31, 2017				
ICP	3,514	2,353	1,161	581
ICS	1,996	1,464	532	266
Total	5,510	3,817	1,693	847

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

9. 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 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 "REIT" (a "Tax REIT") as defined in the Tax Act (the "Tax REIT Exemption"). As of December 31, 2018, 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.

10. MORTGAGES PAYABLE

	2018	2017
Mortgages payable	**2,068,499**	1,810,154
Fair value adjustment upon assumption	**4,078**	9,377
Deferred financing costs	**(43,471)**	(33,375)
	2,029,106	1,786,156
Mortgages related to assets held for sale	**(440)**	-
Total	**2,028,666**	1,786,156

Current	**326,783**	274,736
Non-current	**1,701,883**	1,511,420
Total	**2,028,666**	1,786,156

Mortgages payable bear interest at rates ranging from 1.41% to 6.48% (December 31, 2017 – 1.41% to 6.48%) and have a weighted average rate of 3.17% as at December 31, 2018 (December 31, 2017 – 3.20%). The mortgages mature between 2019 and 2028 (December 31, 2017 – 2018 and 2027) and are secured by charges against specific properties. Land and buildings with a carrying value of $3.3 billion (December 31, 2017 – $2.9 billion) have been pledged to secure the mortgages payable of Northview. Deferred financing costs are amortized over the mortgage term or the amortization term of the mortgage through the statement of net and comprehensive income.

The fair value of mortgages payable at December 31, 2018, is approximately $2.1 billion (December 31, 2016 – $1.8 billion). The fair value is determined by discounting the future cash payments by the current market borrowing rate. The majority 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. There are also some mortgagees with a second position security interest. In addition, certain investment properties are cross-securitized providing the lender with security rights to those properties.

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

The following table summarizes Northview's mortgages as at December 31, 2018:

(thousands of dollars)	Principal Amount	Principal on Maturity	Total	% of Total	Weighted Average Interest Rate
2019	56,226	271,481	327,707	15.8%	3.75%
2020	51,079	187,290	238,369	11.5%	2.88%
2021	42,231	285,632	327,863	15.9%	3.69%
2022	36,454	111,973	148,427	7.2%	2.78%
2023	31,486	218,075	249,561	12.1%	3.24%
Thereafter	72,657	703,915	776,572	37.5%	3.04%
Total	290,133	1,778,366	2,068,499	100.0%	3.17%

The following table summarizes the change in the mortgages payable during the year ended December 31, 2018:

	December 31, 2018
Mortgages payable, January 1, 2018 (1)	**1,786,156**
Proceeds from new mortgages	**489,903**
Prepaid mortgage fees	**(15,396)**
Mortgage assumption	**39,842**
Repayment of mortgages	**(271,399)**
Mortgage interest expense	**59,456**
Mortgage interest paid	**(59,456)**
Mortgages payable, December 31, 2018 (1)	**2,029,106**

(1) Mortgages payable as at January 1, 2018 and December 31, 2018 includes the liabilities related to assets held for sale.

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

11. CONVERTIBLE DEBENTURES

Northview has 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 were 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 Units obtained by dividing the principal amount redeemed by 95% of the current market price of the Trust Units on the redemption date.

During the year ended December 31, 2018, a portion of the 2019 Debentures with a face value of $5.2 million were converted in exchange for 217,263 Trust Units with a fair value of $5.9 million. As at December 31, 2018, Northview has convertible debentures 2019 Debentures with a face value of $17.8 million that are outstanding and may be converted into a total of 749,075 Trust Units.

The following table summarizes the changes in the 2019 Debentures during the year ended December 31, 2018:

	Convertible Debentures Face Value	**Fair Value**
Outstanding, January 1, 2017	23,000	23,460
Conversion	(1)	(1)
Fair value adjustment	-	1,380
Outstanding, December 31, 2017	**22,999**	**24,839**
Conversion	**(5,171)**	**(5,823)**
Fair value adjustment	**-**	**(653)**
Outstanding, December 31, 2018	**17,828**	**18,363**

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

	2018	2017
Face value	**17,828**	22,999
Fair value adjustment	**535**	1,840
Fair value	**18,363**	24,839

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

12. CREDIT FACILITIES

Borrowings under credit facilities	2018	2017
Operating facilities	**125,700**	143,700
Construction financing	**38,430**	51,715
Land financing	**12,100**	5,828
Total	**176,230**	201,243

Current	**176,230**	89,543
Non-current	**-**	111,700
Total	**176,230**	201,243

OPERATING FACILITIES

(thousands of dollars)	Maturity Date	Credit Limit	Maximum borrowing capacity	**2018 Amounts Drawn**	2017 Amounts Drawn
$23 million operating facility					
interest at prime plus 0.75% or Banker's Acceptance plus 2.00%:	February 22, 2019	23,000	23,000	**23,000**	23,000
$150 million operating facility					
interest at prime plus 0.75% or Banker's Acceptance plus 2.00%:	May 12, 2019	150,000	142,892	**102,700**	111,700
$30 million operating facility					
interest at prime plus 1.15% or Banker's Acceptance plus 2.40%:	May 31, 2019	30,000	13,340	**-**	9,000
Total		203,000	179,232	**125,700**	143,700

(i) At December 31, 2018, Northview had three operating facilities with total credit limits of $203.0 million (December 31, 2017 – $203.0 million). The maximum borrowing capacity at December 31, 2018, is $179.2 million (December 31, 2017 – $172.2 million). Specific investment properties with total fair value of $443.4 million (December 31, 2017 - $421.5 million) have been pledged as collateral security for the operating facility. Northview also has $1.9 million (December 31, 2017 – $5.3 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.

(ii) At December 31, 2018, Northview had three construction financing loans outstanding relating to the developments in Cambridge Bay, NU; Canmore, AB; and Calgary, AB. Interest rates range from prime plus 0.50% to 1.00% or Banker's Acceptance plus 1.85% to 2.00%. Maturity dates range from May 31, 2019 to October 23, 2020. Northview also has $1.2 million (December 31, 2017 – $nil) LOC outstanding as security for construction projects.

(iii) The land financing relates to land held for development and bears interest at prime plus 0.50% or Bankers' Acceptance plus 2.00%. Maturity dates range from May 31, 2019 to June 6, 2020. Financing is secured by five 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 calculated in accordance with the terms of the underlying credit facilities agreement (Note 18). 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, 2018, Northview was in compliance with all financial covenants.

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

The following table summarizes the change in the credit facilities balance:

	December 31, 2018
Credit facilities, January 1, 2018	**201,243**
Advances from credit facilities	**187,559**
Repayment of credit facilities	**(212,572)**
Credit facilities, December 31, 2018	**176,230**

13. UNIT-BASED PAYMENTS

a) Long term incentive ("LTI") plan

On May 6, 2015, the Unitholders approved the Unit Award Plan comprised of an LTI plan, whereby PUs and RUs are issued to employees of Northview or its affiliates, as defined in the Securities Act (Alberta). PUs and RUs entitle the employees to receive payment upon vesting in the form of Trust Units. PUs vest after three years and incorporate three year performance criteria established at the time of grant. RUs vest over a period of three years with no performance criteria other than continued employment. PUs and RUs earn notional distributions from the date of grant until vesting. Northview intends to settle all PUs and RUs through issuance of new Trust Units from treasury; however, at its own discretion, Northview may settle the PUs and RUs in cash. Compensation expense is recognized in net and comprehensive income over the vesting period. The carrying amount of the liability, included in unit-based payments, relating to PUs and RUs at December 31, 2018 is $3.0 million and $0.8 million (December 31, 2017 - $1.6 million and $0.4 million) respectively.

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

	2018	2017
	Number of Units	Number of Units
Balance, January 1	**234,803**	146,179
Performance units granted	**48,222**	50,261
Restricted units granted	**40,872**	41,540
Performance units cancelled	**(24,798)**	(2,399)
Restricted units cancelled	**(2,749)**	(778)
Performance units vested	**(10,628)**	-
Restricted units vested	**(13,594)**	-
Balance, December 31	**272,128**	234,803

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

	2018	2017
	Number of Units	Number of Units
Balance, January 1	**116,832**	69,493
Performance units granted	**28,080**	28,403
Restricted units granted	**18,720**	18,936
Restricted units vested	**(11,895)**	-
Performance units cancelled	**(13,026)**	-
Balance, December 31	**138,711**	116,832

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

b) Deferred Unit award plan

On May 6, 2015, the Unitholders approved a DUs award plan (the "DU Award Plan"), whereby DUs are issued to non-executive Trustees as a form of compensation. The expense is recognized at the time of grant. DUs earn notional distributions from the date of grant until settled. Fluctuations in the market value are recognized in fair value in the consolidated statements of net and comprehensive income. DUs are redeemable upon the Trustees' departure from Northview. The carrying amount of the liability, included in unit-based payments, relating to the cash-settled DUs at December 31, 2018 is $1.6 million (December 31, 2017 - $1.2 million).

Total DUs granted under the DU Award Plan are as follows:

	2018	2017
	Number of Units	Number of Units
Balance, January 1	**49,735**	31,843
Units granted	**23,839**	25,341
Units redeemed	**(8,846)**	(7,449)
Balance, December 31	**64,728**	49,735

14. EMPLOYEE UNIT PURCHASE PLAN

Under the terms of the Employee Unit Purchase Plan, employees may invest a maximum of 5% of their salary excluding bonuses, incentive pay, 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 Trust Units are purchased on the TSX at market prices. During the year ended December 31, 2018, employees invested a total of $0.5 million (December 31, 2017 – $0.4 million) and Northview contributed $0.1 million (December 31, 2017 – $0.1 million). During the year ended December 31, 2018, 23,132 Trust Units (December 31, 2017 – 25,601 Units) were purchased at an average cost of $25.66 per Trust Unit (December 31, 2017 – $22.22).

15. 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 Trust 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 Trust 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 Trust 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 Trust Unitholders. A Trust 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 Trust 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 Trust 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:

(i) 90% of the "market price" of the Trust Units on the principal market on which the Trust Units are quoted for trading during the 20-trading day period commencing immediately subsequent to the day on which the Trust Units were surrendered to Northview for redemption (the "Redemption Date"); and

(ii) 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 Trust 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 Trust 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.

If a Trust 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 Trust 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 Trust Unitholders as if he or she was a Unitholder.

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

The number of Trust Units issued and outstanding at December 31, 2018, and December 31, 2017, is as follows:

	2018		2017	
	Number of Units	**Amount**	Number of Units	Amount
Balance, January 1	**51,141,771**	**1,187,980**	49,942,379	1,157,774
Trust Units issued to settle LTI	**16,518**	**408**	-	-
Trust Units issued to settle Long Term Incentive Plan	**-**	**-**	2,370	47
Trust Units issued to settle DUs	**5,699**	**152**	7,449	158
Trust Units issued for debenture conversion	**217,263**	**5,881**	42	1
Trust Units issued for equity offering, net of issuance costs	**4,830,000**	**120,686**	-	-
Trust Units issued for acquisition	**-**	**-**	1,189,531	30,000
Balance, December 31	**56,211,251**	**1,315,107**	51,141,771	1,187,980

b) Class B LP 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 Trust Unitholders as if he or she was a Trust 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 outstanding as at December 31, 2018 is 8,553,429 (December 31, 2017 – 6,684,615), subject to conversion in accordance with their terms with a corresponding liability of $209.4 million (December 31, 2017 – $167.0 million). During the year ended December 31, 2018, Northview issued 1,868,814 Class B LP (Year ended December 31, 2017 – 869,950), subject to conversion in accordance with their terms, with a fair value of $50.0 million in the year ended December 31, 2018 (Year ended December 31, 2017 - $22.0 million).

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

Date	**Description**	**Issue Price/ Call Price**	**Number of Units**	**Amount**
Balance at January 1, 2017		$20.07	5,814,665	116,701
December 1	Issuance of Class B LP Units	$25.41	314,836	8,000
December 7	Issuance of Class B LP Units	$25.22	555,114	14,000
December 31	Fair value adjustment	$24.99	-	28,348
Balance at December 31, 2017		**$24.99**	**6,684,615**	**167,049**
June 26	**Issuance of Class B LP Units**	**$26.20**	**572,518**	**15,000**
December 4	**Issuance of Class B LP Units**	**$27.00**	**1,259,259**	**34,000**
December 27	**Issuance of Class B LP Units**	**$27.00**	**37,037**	**1,000**
December 31	**Fair value adjustment**	**$24.48**	**-**	**(7,661)**
Balance, December 31, 2018		**$24.48**	**8,553,429**	**209,388**

c) Distributions to Trust 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 declared. During the year ended December 31, 2018, Northview declared monthly cash distributions of $0.1358 per Unit (December 31, 2017 - $0.1358 per unit). For the year ended December 31, 2018, Northview declared distributions totaling $99.8 million (December 31, 2017 – $91.2 million).

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, 2018 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, 2018, Northview has provided guarantees on mortgages secured by investment properties totaling $7.4 million (December 31, 2017 – $9.8 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, 2017 – 3.01% to 5.50%) and mature between January 1, 2019 and July 2022 (December 31, 2017 – May 2018 and July 2022). As at December 31, 2018, land and buildings with a carrying value of $20.1 million have been pledged to secure these mortgages payable (December 31, 2017 – $23.5 million). Due to the equity accounting of ICP and ICS, the mortgage balances have not been recorded in Northview's consolidated financial statements. The estimated fair value is not material and therefore no amount has been recorded by Northview in the consolidated financial statements.

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value measures

Northview's financial assets and financial liabilities are carried at amortized cost, which approximates fair value, or FVTPL 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 hierarchy of assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements:

	December 31, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Investment properties	**-**	**-**	**4,080,000**	-	-	3,472,028
Assets held for sale	**-**	**-**	**4,737**	-	-	3,861
Liabilities						
Mortgages payable	**-**	**2,058,462**	**-**	-	1,773,226	-
Convertible debentures	**18,363**	**-**	**-**	24,839	-	-
Class B LP Units	**209,388**	**-**	**-**	167,049	-	-
Unit-based payments	**-**	**8,119**	**-**	-	3,250	-
Liabilities related to assets held for sale	**-**	**-**	**440**	-	-	-

Northview had no embedded derivatives requiring separate recognition as at December 31, 2018, or December 31, 2017. 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, 2018, and December 31, 2017, 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, 2018, or December 31, 2017, 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 6.

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, 2018, ranged from 0.95% to 2.28% (December 31, 2017 – 0.77% to 2.25%), depending on the nature and terms of the respective mortgages.

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. 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. Unit-based payments

Northview determines the fair value of Unit-based payments and DUs using the valuation methodology and key assumptions described in Note 2L.

vi. Other financial assets and financial liabilities

The fair values of Northview's other financial assets, which include cash and cash equivalents, restricted cash accounts receivable, loans receivable and other long term assets, 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 execusuites and hotel portfolios. The leases in the 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 utilizes fixed price hedges to manage exposure to utility cost risk.

Heating oil and wooden pellets are the primary sources 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 used fixed price hedges to manage the exposure to the utility cost risk in the following regions; Ontario, Quebec, and Alberta.

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, 2018 (December 31, 2017 – $1.1 million).

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

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. Loans receivable 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 consist 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 by 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 an estimate of expected credit losses for receivables from past and current tenants as an allowance. The aging of current residents and resident receivables is net of the allowance for credit losses from current and past residents.

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

	2018	2017
0-30 days	**470**	1,946
31-60 days	**547**	572
61-90 days	**183**	122
Over 90 days	**2,750**	2,420
Resident receivables	**3,950**	5,060
Other receivables (1)	**10,591**	7,181
Balance, December 31	**14,541**	12,241

(1) Other receivables consist of goods and services tax rebates, mortgage holdbacks and miscellaneous receivables.

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. Based on the floating rate debt instruments outstanding at December 31, 2018 of $194.9 million, a 0.50% change in interest rates, keep all variables constant would change Northview's net income for the year ended December 31, 2018 by $1.0 million.

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

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.

As at December 31, 2018, Northview had a working capital deficiency of $578.7 million. In the normal course of business, a portion of Northview's borrowings under mortgages and credit facilities with a maturity date less than one year will be considered current liabilities prior to being replaced with longer-term financing. Of the total deficiency, $326.8 million relates to the current portion of mortgages payable and is expected to be refinanced with long-term mortgages. The majority of the current portion of credit facilities of $176.2 million is expected to be addressed through the extension of the maturity date of credit facilities and replaced with long-term mortgages upon the completion of the construction projects. In February 2019, Northview secured a commitment for a $200 million operating facility with a three-year term, to replace the existing $150 million and $23 million operating facilities. The new $200 million operating facility offers improved borrowing capacity and reduced interest rates, compared to the existing operating facilities. The new facility is expected to close during the second quarter of 2019.

Contractual maturity for non-derivative financial liabilities at December 31, 2018:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Mortgages payable – principal and interest	**2,028,666**	**2,339,032**	**381,267**	**1,116,508**	**841,257**
Credit facilities (1)	**176,230**	**176,230**	**176,230**	**-**	**-**
Trade and other payables (2)	**86,722**	**86,722**	**86,722**	**-**	**-**
Distributions and Class B LP interest payable	**8,794**	**8,794**	**8,794**	**-**	**-**
Liabilities related to assets held for sale	**440**	**440**	**440**	**-**	**-**

(1) Contractual obligations to repay the credit facility only includes the principal amount.
(2) Security deposits payable are included in trade and other payables.

Contractual maturity for derivative financial liabilities at December 31, 2018:

	Carrying Amount	Contractual Cash Flows	Up to 1 year	1 – 5 years	Over 5 years
Convertible debentures	**18,363**	**18,363**	**18,363**	**-**	**-**
Unit-based payments	**8,119**	**8,119**	**6,231**	**1,888**	**-**

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 – principal and interest	1,786,156	2,030,176	319,618	1,018,907	691,651
Credit facilities (1)	201,243	201,243	89,543	111,700	-
Trade and other payables (2)	69,027	69,027	69,027	-	-
Distributions and Class B LP interest payable	7,853	7,853	7,853	-	-

(1) Contractual obligations to repay the credit facility only includes the principal amount.
(2) Security deposits payable are included in trade and other payables.

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	-
Unit-based payments	3,250	3,250	2,586	664	-

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

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%. As at December 31, 2018 and December 31, 2017, Northview was compliant 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.

	2018	2017
Debt to gross book value		
Cash and cash equivalents	**(9,703)**	(10,718)
Credit facilities	**176,230**	201,243
Mortgages payable (Note 10)	**2,068,499**	1,810,154
Debt	**2,235,026**	2,000,679
Investment properties	**4,080,000**	3,472,028
Property, plant and equipment	**38,419**	41,911
Assets held for sale	**4,737**	3,861
Accumulated depreciation	**31,989**	27,243
Gross book value	**4,155,145**	3,545,043
Debt to gross book value	**53.8%**	56.4%

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

	2018	2017
Interest coverage and debt service coverage		
Net income before income taxes	**289,629**	212,367
Depreciation and amortization	**5,118**	5,025
Mortgage interest and deferred financing costs	**59,456**	51,970
Interest expense on credit facilities	**7,401**	4,614
Interest expense to Class B LP Unitholders	**11,614**	9,594
Fair value gain	**(175,018)**	(110,824)
EBITDA	**198,200**	172,746
Mortgage interest and deferred financing costs	**59,456**	51,970
Interest expense on credit facilities	**7,401**	4,614
Total interest expense	**66,857**	56,584
Principal repayment [1]	**54,302**	49,444
Debt service payments	**121,159**	106,028
Interest coverage	**2.96**	3.05
Debt service coverage	**1.64**	1.63

[1] Principal repayment represents principal payments on outstanding mortgages excluding one-time lump sum payments at maturity.

Debt to gross book value, interest coverage, and debt service coverage including the 2019 Debentures as debt and interest expenses on 2019 Debentures are 54.2%, 2.92, and 1.63, respectively (December 31, 2017 – 57.1%, 3.01, and 1.62, respectively).

19. PERSONNEL COSTS

	2018	2017
Salaries, wages and benefits	**56,325**	45,405
Equity settled unit-based compensation	**730**	47
	57,055	45,452
Personnel costs capitalized to investment properties	**(11,739)**	(8,393)
	45,316	37,059

20. FINANCING COSTS

	2018	2017
Mortgage interest	**60,106**	54,654
Amortization of deferred financing cost	**3,387**	1,839
Amortization of fair value of debt	**(4,037)**	(4,523)
Interest expense on 2019 debentures	**1,176**	1,322
Interest expense on credit facilities	**7,401**	4,614
Interest expense to Class B LP Unitholders	**11,614**	9,594
Interest and other income	**(1,015)**	(1,286)
Loss on extinguishment of debt	**50**	1,839
Total	**78,682**	68,053

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

21. FAIR VALUE (GAIN) LOSS

	2018	2017
Investment properties	**(167,285)**	(140,709)
Interest rate swap	**-**	(239)
2019 Debentures	**(595)**	1,380
Unit-based payments	**523**	396
Class B LP Units	**(7,661)**	28,348
Total	**(175,018)**	(110,824)

22. PROCEEDS ON INSURANCE SETTLEMENT

For the year ended December 31, 2018, Northview realized $2.7 million of insurance proceeds (December 31, 2017 – $0.9 million). The amount represents funds received or receivable from insurance providers for a building located in Lethbridge, AB, that was lost to a fire during 2017. Northview is currently in the process of rebuilding the property.

23. CHANGES IN NON-CASH WORKING CAPITAL

	2018	2017
Restricted cash	**2,791**	(1,688)
Accounts receivable	**(4,091)**	(2,813)
Prepaid expenses and other assets	**(372)**	(1,965)
Loans receivable	**1,318**	3,429
Other long-term assets	**(37)**	324
Trade and other payables	**14,839**	(14,584)
Changes in non-cash working capital from operating activities	**14,448**	(17,297)

The changes in non-cash working capital from investing activities for the year ended December 31, 2018, of $2.2 million cash inflow (December 31, 2017 – $1.4 million cash inflow) 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.

24. 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:

	2018	2017
Less than 1 year	**19,603**	19,563
Between 1 and 5 years	**48,992**	52,733
More than 5 years	**7,236**	14,360
	75,831	86,656

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

25. ASSETS HELD FOR SALE

As at December 31, 2018, there are two non-core properties across the portfolio classified as 'Assets held for sale' with a fair value of $4.7 million which are expected to be disposed of within twelve months.

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

	2018	2017
Assets		
Investment properties	**4,737**	3,861
Total assets held for sale	**4,737**	3,861
Liabilities		
Mortgages payable	**440**	-
Total liabilities related to assets held for sale	**440**	-
Net assets held for sale	**4,297**	3,861

26. RELATED PARTIES

a) Key management personnel

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

	2018	2017
Salaries, wages and benefits	**2,853**	1,700
Equity settled unit-based compensation	**222**	-
	3,075	1,700

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.

Starlight is a related party as it is controlled by a Trustee and significant Unitholder of Northview. Pursuant to a transitional services agreement dated October 30, 2015 (the "Transitional Service Agreement"), Starlight provided Northview transitional services of an asset management nature. The Transitional Service Agreement ended as of October 30, 2018. For the year ended December 31, 2018, the costs of these services aggregated to $1.7 million (December 31, 2017 − $1.8 million). Of this amount, $1.3 million (December 31, 2017 − $1.4 million) has been capitalized, while the remaining $0.4 million (December 31, 2017 − $0.4 million) has been recognized as administration expenses in net and comprehensive income. Balance outstanding and payable to Northview from Starlight as at December 31, 2018, is nil (December 31, 2017 − $0.2 million) and is included in accounts receivable in the consolidated statements of financial position. The balance outstanding and payable to Starlight from Northview at December 31, 2018, is nil (December 31, 2017 − $0.2 million) and is included in trade and other payables.

Pursuant to the income supplement agreement dated November 15, 2017, Starlight is to provide Northview an annual payment of $0.2 million, for a period of ten years, effective January 2018 to December 2027, to pay down the net effective ground rent under the ground lease for a property in Toronto, ON acquired by Northview during the fourth quarter of 2017. The amount for the year ended December 31, 2018 has been recognized as a reduction of operating expenses.

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

During the year ended December 31, 2018, Northview purchased seven properties from Starlight for a total purchase price of $180.0 million excluding closing costs. 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 the expected net operating income of that property divided by the market Cap Rate at the time of the valuation. In addition, Northview issued 609,555 Class B LP Units, subject to conversion in accordance with their terms, to Starlight with a fair value of $16.0 million. In conjunction with the transactions, a fee of $1.0 million was paid to Starlight from Northview on the properties acquired from independent vendors. There are no fees payable to Starlight from Northview on the properties acquired directly from Starlight. The transactions were unanimously approved by the independent Trustees of Northview.

During the year ended December 31, 2017, Northview purchased two properties from Starlight for a total purchase price of $58.2 million. In addition, Northview issued 555,114 Class B LP 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 was paid 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 year ended December 31, 2018, revenue from ICP and ICS related to management fees was $0.4 million (December 31, 2017 − $0.4 million). The balance outstanding and payable to Northview from ICP and ICS related to management fees is $0.1 million (December 31, 2017 − $0.1 million) and is included in accounts receivable.

27. 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 & execusuites 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 execusuites 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, the execusuites and hotel business segment did not meet the quantitative thresholds as a separate reportable segment and therefore it has been 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, 2018						
Revenue	**51,961**	**92,114**	**113,009**	**21,830**	**85,054**	**363,968**
Operating expense	**(25,117)**	**(32,759)**	**(49,435)**	**(10,062)**	**(34,469)**	**(151,842)**
Net operating income	**26,844**	**59,355**	**63,574**	**11,768**	**50,585**	**212,126**
As at December 31, 2018						
Total assets	**478,012**	**658,226**	**1,691,111**	**218,733**	**1,096,024**	**4,142,106**
Investment properties	**462,647**	**631,906**	**1,682,670**	**217,331**	**1,085,446**	**4,080,000**
Total liabilities	**266,176**	**306,168**	**836,967**	**159,429**	**531,797**	**2,100,537**

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

	Atlantic Canada	Northern Canada	Ontario	Quebec	Western Canada	Total
Year ended December 31, 2017						
Revenue	47,409	89,831	95,033	19,622	79,104	330,999
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	46,299	189,264
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

b) Market Segments

	Multi-family	**Commercial & Execusuites**	**Total**
Year ended December 31, 2018			
Revenue	**320,292**	**43,676**	**363,968**
Operating expense	**(133,211)**	**(18,631)**	**(151,842)**
Net operating income	**187,081**	**25,045**	**212,126**
As at December 31, 2018			
Total assets	**3,876,807**	**265,299**	**4,142,106**
Investment properties	**3,856,702**	**223,298**	**4,080,000**
Total liabilities	**1,935,981**	**164,556**	**2,100,537**

	Multi-family	Commercial & Execusuites	Total
Year ended December 31, 2017			
Revenue	287,387	43,612	330,999
Operating expense	(123,642)	(18,093)	(141,735)
Net operating income	163,745	25,519	189,264
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

c) Reconciliation of reportable segment net income

	2018	2017
Total net operating income for reportable segments	**212,126**	189,264
Financing costs	**(78,682)**	(68,053)
Administration	**(16,703)**	(14,738)
Depreciation and amortization	**(5,118)**	(5,025)
Loss on disposition	**(564)**	(1,668)
Equity income from joint ventures	**829**	847
Fair value gain	**175,018**	110,824
Proceeds on insurance settlement	**2,723**	916
Net and comprehensive income	**289,629**	212,367

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

d) Reconciliation of reportable segment assets

	2018	2017
Total assets for reportable segments	**4,142,106**	3,538,637
Investment in joint ventures	**7,549**	6,920
Other assets	**3,122**	4,199
Restricted cash	**10,151**	12,942
Cash and cash equivalents	**9,703**	10,718
Assets held for sale	**4,737**	-
Total assets	**4,177,368**	3,573,416

e) Reconciliation of reportable segment liabilities

	2018	2017
Total liabilities for reportable segments	**2,100,537**	1,838,491
Class B LP Units	**208,490**	166,147
Convertible debentures	**18,363**	24,839
Credit facilities	**176,230**	201,243
Trade and other payables	**15,749**	17,594
Distributions and Class B LP interest payable	**8,794**	7,853
Unit-based payments	**8,119**	3,250
Liabilities related to assets held for sale	**440**	-
Total liabilities	**2,536,722**	2,259,417

28. SUBSEQUENT EVENTS

Northview entered into an agreement with Starlight Investments CDN AM Group LP ("Starlight LP") whereby Starlight LP provides certain advisory services relating to the identification of multi-unit residential properties for acquisition as per the transactional fee agreement dated February 27, 2019 (the "Transactional Fee Agreement"). The Transactional Fee Agreement was approved by the Trustees on February 27, 2019.

Northview secured a commitment for a $200 million operating facility with a three-year term, to replace the existing $150 million and $23 million operating facilities expiring in 2019. The commitment was approved by the Trustees on February 27, 2019. The new facility is expected to close during the second quarter of 2019. The maturity date of the $23 million operating facility was extended from February 22, 2019 to May 31, 2019.

From January 1, 2019 to February 27, 2019, convertible debentures with a face value of $3.5 million were converted in exchange for 146,173 Trust Units with a fair value of $3.9 million.