Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

Three and Six Months Ended June 30, 2015 and 2014
(Unaudited)

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

As at		June 30, 2015		December 31, 2014
Assets				
Investment properties (note 8)	$	**2,414,187**	$	524,230
Investment in associates (note 9)		**–**		255,930
Intangible asset (note 10)		**46,757**		12,490
Goodwill (note 4)		**41,671**		–
Due from related parties (note 11)		**1,684**		30,208
Derivative financial instruments (note 17)		**20**		–
Accounts receivable		**4,661**		1,421
Income tax receivable		**353**		–
Other assets (note 12)		**6,553**		1,043
Cash and restricted cash (note 13)		**7,641**		20,948
Assets held for sale (note 14)		**16,287**		–
Total assets	$	**2,539,814**	$	846,270
Liabilities				
Mortgages and loans payable (note 15)	$	**1,282,878**	$	388,312
Deferred consideration (note 16)		**38,136**		41,280
Convertible debentures (note 17)		**119,275**		71,920
Deferred revenue		**–**		12,869
Deferred tax liability		**66,682**		20,747
Derivative financial instruments (note 18)		**19,481**		2,894
Income tax payable		**7,020**		64
Accounts payable and accrued liabilities		**40,010**		21,810
Distributions payable		**3,528**		1,591
Liabilities related to assets held for sale (note 14)		**13,592**		–
		1,590,602		561,487
Deferred unit plan liability (note 19)		**10,043**		457
Class B and Class D exchangeable units (note 20)		**152,929**		184,358
Total liabilities		**1,753,574**		746,302
Unitholders' Equity				
Unitholders' equity (note 21)		**487,107**		99,968
Non-controlling interest		**299,133**		–
Subsequent events (note 30)				
Total liabilities and unitholders' equity	$	**2,539,814**	$	846,270

The condensed consolidated interim financial statements were approved by the Board on August 12, 2015 and signed on its behalf by:

"Colin Loudon" Trustee
"Paul Dalla Lana" Trustee

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

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Net Operating Income				
Revenue from investment properties	**$ 44,837**	$ 10,496	**$ 71,770**	$ 20,655
Property operating costs	**10,744**	311	**13,700**	737
	34,093	10,185	**58,070**	19,918
Other Income (loss)				
Interest	**114**	444	**571**	882
Management fee participation (note 23 (ii))	**–**	922	**–**	1,339
Share of profit (loss) of associates (note 9)	**590**	(7,864)	**2,153**	(2,981)
	704	(6,498)	**2,724**	(760)
Expenses				
Mortgage and loan interest expense	**15,466**	7,160	**25,980**	14,071
General and administrative expenses	**6,875**	1,988	**12,581**	3,537
Transaction costs (note 3 and 5)	**5,020**	–	**9,395**	–
Amortization of intangible asset (note 10)	**–**	391	**–**	781
Foreign exchange loss (gain)	**(3,916)**	(1,322)	**(1,749)**	2,897
	23,445	8,217	**46,207**	21,286
Income (loss) before other finance costs, fair value adjustments, net loss on disposal of investment properties, and net gain business combination	**11,352**	(4,530)	**14,587**	(2,128)
Finance costs:				
Amortization of financing costs	**(1,949)**	(2,645)	**(3,871)**	(4,994)
Amortization of mark-to-market adjustment	**643**	–	**643**	–
Class B and Class D exchangeable unit distributions	**(4,249)**	(5,070)	**(9,323)**	(10,079)
Fair value adjustment of Class B and Class D exchangeable units (note 20)	**21,424**	10,166	**31,574**	(1,673)
Accretion of financial liabilities (notes 15 and 16)	**(852)**	(3,945)	**(6,719)**	(9,386)
Fair value adjustment of convertible debentures (note 17)	**(1,775)**	1,716	**(6,112)**	(1,831)
Convertible debenture issuance costs	**–**	–	**(1)**	(3)
Gain (loss) on derivative financial instruments (note 18)	**1,409**	(246)	**132**	(351)
Fair value adjustment of investment properties (note 8)	**84,143**	(3,659)	**98,590**	(3,543)
Net loss on disposal of investment properties (note 7)	**–**	(9)	**–**	(98)
Fair value adjustment of deferred unit plan liability (note 19)	**1,332**	23	**1,685**	(1)
Net gain on business combination (note 5)	**57,880**	–	**57,880**	–
Income (loss) before taxes	**169,358**	(8,199)	**179,065**	(34,087)
Current income tax expense (recovery)	**(1,215)**	145	**295**	206
Deferred income tax expense	**17,671**	557	**22,974**	1,628
Net income (loss) for the period	**152,902**	(8,901)	**155,796**	(35,921)
Net income (loss) attributable to:				
Unitholders	**100,920**	(8,901)	**99,379**	(35,921)
Non-controlling interest	**51,982**	–	**56,417**	–
	$ 152,902	$ (8,901)	**$ 155,796**	$ (35,921)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Other comprehensive income (loss):				
Items that will be reclassified subsequently to income:				
Foreign currency translation adjustment	**$ (6,476)**	$ (2,662)	**$ (13,850)**	$ 8,568
Realized foreign exchange gains/(losses) on hedges	**(7,955)**	–	**(852)**	–
Current taxation (expense)/credit	**2,227**	–	**238**	–
Unrealized foreign exchange gains/(losses) on hedges	**(4,743)**	–	**(9,778)**	–
Deferred taxation (expense)/credit	**1,328**	–	**2,738**	–
Fair value gain on net investment hedges	**(9,108)**	–	**(6,834)**	–
Deferred taxation (expense)/credit	**2,347**	–	**1,710**	–
Current taxation (expense)/credit	**204**	–	**204**	–
Share of other comprehensive income (loss) of associates (note 9)	**–**	280	**–**	(205)
Other comprehensive income (loss), net of tax	**(22,176)**	(2,382)	**(26,424)**	8,363
Total comprehensive income (loss) for the period, net of tax	**130,726**	(11,283)	**129,372**	(27,558)
Total comprehensive income (loss) attributable to:				
Unitholders	**65,523**	(11,283)	**63,832**	(27,558)
Non-controlling interest	**65,203**	–	**65,540**	–
	$ 130,726	$ (11,283)	**$ 129,372**	$ (27,558)

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

	Unitholders' Equity	Contributed Surplus	Reduction on Reclassification to Liabilities	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2013	**$ 90,504**	**$ 2,345**	**$ (115)**	**$ (10,564)**	**$ (4,255)**	**$ (4,228)**	**$ 73,687**	**$ –**	**$ 73,687**
Public offering of units	22,862	–	–	–	–	–	22,862	–	22,862
Units issued through distribution reinvestment plan	398	–	–	–	–	–	398	–	398
Asset management fees paid in units	1,553	–	–	–	–	–	1,553	–	1,553
Conversion of Class D exchangeable units	1,689	–	–	–	–	–	1,689	–	1,689
Capital contributions (note 11(ii))	–	914	–	–	–	–	914	–	914
Distributions	–	–	–	(6,651)	–	–	(6,651)	–	(6,651)
Currency translation difference	–	–	–	–	8,568	–	8,568	–	8,568
Share of other comprehensive loss of associate	–	–	–	–	(205)	–	(205)	–	(205)
Net loss for the period	–	–	–	–	–	(35,921)	(35,921)	–	(35,921)
Balance, June 30, 2014	**$ 117,006**	**$ 3,259**	**$ (115)**	**$ (17,215)**	**$ 4,108**	**$ (40,149)**	**$ 66,894**	**$ –**	**$ 66,894**
Public offering of units	27,859	–	–	–	–	–	27,859	–	27,859
Units issued through distribution reinvestment plan	618	–	–	–	–	–	618	–	618
Asset management fees paid in units	1,735	–	–	–	–	–	1,735	–	1,735
Exercise of warrants	6,771	–	–	–	–	–	6,771	–	6,771
Capital contributions (note 11(ii))	–	1,368	–	–	–		1,368	–	1,368
Distributions	–	–	–	(8,420)	–	–	(8,420)	–	(8,420)
Currency translation difference	–	–	–	–	(5,418)		(5,418)	–	(5,418)
Share of other comprehensive loss of associates	–	–	–	–	(682)	–	(682)	–	(682)
Net loss for the period	–	–	–	–	–	9,243	9,243	–	9,243
Balance, December 31, 2014	**$ 153,989**	**$ 4,627**	**$ (115)**	**$ (25,635)**	**$ (1,992)**	**$ (30,906)**	**$ 99,968**	**$ –**	**$ 99,968**

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

NORTHWEST HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST
Condensed Consolidated Interim Statements of Changes in Unitholders' Equity (continued)
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

	Unitholders' Equity	Contributed Surplus	Reduction on Reclassification to Liabilities	Cumulative Distributions	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Unitholders' Equity	Non-Controlling Interest	Total Equity
Units issued through distribution reinvestment plan	910	–	–	–	–	–	910	1,299	2,209
Units issued on exercise of deferred units	203	–	–	–	–	–	203	–	203
Asset management fees paid in units	292	–	–	–	–	–	292	–	292
Issuance of units on merger (note 5)	302,197	–	–	–	–	–	302,197	–	302,197
Unit redemption on merger (note 21)	(2,070)	–	–	–	–	–	(2,070)	–	(2,070)
Capital contributions (note 10, 11(iv))	–	35,212	–	–	–	–	35,212	–	35,212
Acquisition of control of subsidiary	–	–	–	–	–	–	–	241,912	241,912
Distributions	–	–	–	(13,437)	–	–	(13,437)	(9,618)	(23,055)
Foreign currency translation adjustment	–	–	–	–	(32,526)	–	(32,526)	18,676	(13,850)
Share of other comprehensive loss of associates	–	–	–	–	(3,021)	–	(3,021)	(9,553)	(12,574)
Net income for the period	–	–	–	–	–	99,379	99,379	56,417	155,796
Balance, June 30, 2015	**$ 455,521**	**$ 39,839**	**$ (115)**	**$ (39,072)**	**$ (37,539)**	**$ 68,473**	**$ 487,107**	**$ 299,133**	**$ 786,240**

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

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash provided by (used in):				
Operating activities				
Income (loss) before taxes for the period	**$ 169,358**	$ (8,199)	**$ 179,065**	$ (34,087)
Adjustment for:				
Amortization	**66**	391	**83**	781
Mortgage and loan interest	**15,466**	7,160	**25,980**	14,071
Mortgage and loan interest paid	**(16,510)**	(6,461)	**(27,437)**	(13,978)
Finance costs				
Amortization of financing costs	**1,949**	2,645	**3,871**	4,994
Amortization of mark-to-market adjustment	**(643)**	–	**(643)**	–
Class B and Class D exchangeable unit distributions	**4,249**	5,070	**9,323**	10,079
Fair value adjustment of Class B and Class D exchangeable units (note 20)	**(21,424)**	(10,166)	**(31,574)**	1,673
Accretion of financial liabilities (notes 15 and 16)	**852**	3,945	**6,719**	9,386
Fair value adjustment of convertible debentures (note 17)	**1,775**	(1,716)	**6,112**	1,831
Share of loss (profit) of associates (note 9)	**(590)**	7,864	**(2,153)**	2,981
Unrealized foreign exchange gain (loss)	**(3,747)**	(1,291)	**(1,552)**	3,062
Amortization of deferred revenue	**(105)**	(113)	**(434)**	(460)
Fair value adjustment of investment properties (note 8)	**(84,143)**	3,659	**(98,590)**	3,543
Net gain on business combination (note 5)	**(57,880)**	-	**(57,880)**	-
Fair value loss (gain) on derivative financial instruments	**(1,322)**	246	**179**	351
Net loss on disposal of investment properties (note 7)	**–**	9	**–**	98
Unit based compensation expense	**2,939**	56	**5,578**	103
Redemption of deferred units issued under deferred unit plan	**(556)**	–	**(586)**	-
Other fair value losses (gains)	**(1,332)**	(23)	**(1,685)**	1
Income taxes paid	**(137)**	(176)	**(1,914)**	(705)
Changes in non-cash working capital balances (note 22 (i))	**(2,394)**	1,146	**(3,137)**	839
Cash provided by (used in) operating activities	**5,871**	4,046	**9,325**	4,563
Investing activities				
Acquisitions of investment properties	**(1,052)**	(52,918)	**(1,052)**	(52,918)
Additions to investment properties (note 8)	**(18,703)**	(136)	**(28,884)**	(208)
Net proceeds (redemption) on disposal of investment properties (note 7)	**–**	(9)	**–**	6,826
Distribution income from associates (note 9)	**792**	3,887	**3,172**	7,810
Working capital acquired on business combination (note 3)	**–**	–	**468**	–
Cash acquired on acquisition of control (note 4)	**–**	–	**1,055**	–
Cash acquired on Combination Transaction (note 5)	**3,217**	–	**3,217**	–
Additions to furniture and office equipment	**(41)**	–	**(119)**	–
Receipts from foreign exchange contracts	**(7,868)**	–	**(541)**	–
Net decrease (increase) in restricted cash	**(48)**	907	**762**	(540)
Cash provided by (used in) investing activities	**(23,703)**	(48,269)	**(21,922)**	(39,030)
Financing activities				
Mortgage and loans proceeds	**50,030**	31,287	**50,030**	31,287
Mortgage and loans discharged	**(67,927)**	–	**(67,927)**	(4,887)
Proceeds from units issued, net of issue costs (note 21)	**–**	21,244	**–**	22,862
Repayment of mortgages	**(1,962)**	(469)	**(2,476)**	(737)
Net advances (payments) of loans payable	**38,010**	250	**32,326**	(1,076)
Payment of deferred consideration	**–**	(1,315)	**–**	(2,577)
Financing fees paid	**(1,719)**	(941)	**(3,414)**	(1,665)
Net advances from/(to) related parties	**28,583**	(289)	**32,187**	1,245
Distributions paid	**(6,136)**	(3,090)	**(10,591)**	(5,726)
Class B and Class D exchangeable units distributions paid	**(18,246)**	(1,111)	**(21,421)**	(2,925)
Distributions to non-controlling interest	**(4,130)**	–	**(8,319)**	–
Cash provided by (used in) financing activities	**16,503**	45,566	**395**	35,801
Net change in cash	**(1,329)**	1,343	**(12,202)**	1,334
Effect of foreign currency translation	**1,756**	(286)	**(198)**	(280)
Net change in cash	**427**	1,057	**(12,400)**	1,054
Cash, beginning of period	**5,543**	2,633	**18,370**	2,636
Cash, end of period	**$ 5,970**	$ 3,690	**$ 5,970**	$ 3,690

Supplemental disclosure relating to non-cash financing and investing activities (note 22 (ii))

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

NorthWest Healthcare Properties Real Estate Investment Trust (the "REIT"), is a Canadian open-end trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015. The registered office of the REIT is 284 King Street East, Suite 100, Toronto, Ontario M5A 1K4.

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

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

Until January 28, 2015, affiliates of NorthWest Value Partners ("NWVP") served as NWI's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. On January 28, 2015, with an effective date of January 1, 2015, the REIT internalized its external management arrangements (the "Internalization Transaction"), terminating the asset management, property management and development functions of the NWI previously carried on by affiliates of NWVP. The Internalization Transaction also resulted in the REIT acquiring from NWVP all of the rights and obligations relating to the management of Vital Healthcare Property Trust ("Vital Trust"). See Note 4.

1. Basis of Preparation

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The preparation of these condensed consolidated interim financial statements is based on accounting policies and practices in accordance with International Financial Reporting Standards ("IFRS"). The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with NWI's audited consolidated financial statements for the year ended December 31, 2014, since they do not contain all disclosures required by IFRS for annual financial statements.

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

1. Basis of Preparation (continued)

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

2. Significant Accounting Policies

All significant accounting policies have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements of NWI, except as noted below.

(a) Goodwill and indefinite-life intangible assets

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

(b) Accounting Judgments and Use of Estimates

The preparation of condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from estimates and such differences could be material. The significant estimates and judgments made by management are the same as those discussed in NWI's audited annual consolidated financial statements for the year ended December 31, 2014, with the exception of the following additional item:

(i) *Critical accounting estimate - Intangible Asset*

Intangible asset represents the REIT's rights and obligations under the contract between the REITs wholly-owned subsidiaries Vital Healthcare Management Limited and related entities ("VHML") and Vital Trust. The intangible asset has been measured at its fair value as at the effective date of the Internalization Transaction, January 1, 2015. When estimating the fair value of the intangible asset, the REIT made estimates and assumptions that have a significant effect on the reported value of the intangible asset. Estimates used in determining the fair value of the intangible asset include management fees, operating expenses, discount rates, capitalization rates, inflation rates, interest rates, foreign currency exchange rates and earnings multiples. See note 3.

(in thousands of Canadian dollars)

3. Business Combination

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

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

The preliminary purchase equation is summarized as follows:

Vital Trust management rights (note 10)	$	46,757
Promissory note		1,491
Investment in Vital Trust (note 9(i))		575
Furniture and office equipment		376
Deferred tax asset		45
Working capital (1)		468
Due to related party (note 11)		(468)
Deferred unit plan liability (note 19)		(3,596)
	$	45,648
Consideration comprised of:		
Contribution of capital	$	45,648

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

During the three and six months ended June 30, 2015, the REIT incurred transaction costs of $107 and $806 related to the Internalization Transaction. These costs have been expensed as incurred in the statement of income (loss) and comprehensive income (loss).

In connection with the Internalization Transaction, NWVP provided NWI with an agreement which committed NWVP, by means of a capital contribution, to support the impact of the internalization from January 1, 2015 to March 31, 2015. For the six months ended June 30, 2015, the NWI recorded a capital contribution of $1,385 to effect the internalization support for the period.

(in thousands of Canadian dollars)

4. Acquisition of Control

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

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

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

5. Combination Transaction

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

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

(in thousands of Canadian dollars)

5. Combination Transaction (continued)

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

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

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

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

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

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

The purchase equation is summarized as follows:

Investment properties	$ 1,270,031
Due from NWI	58,991
Accounts receivable	3,229
Other assets	3,290
Cash and cash equivalents	3,217
Mortgages payable	(769,615)
Convertible debentures	(41,244)
Derivative financial instruments	(1,863)
Accounts payable and accrued liabilities	(26,047)
Distributions payable	(2,704)
	$ 497,285
Consideration comprised of:	
Deemed consideration issued to outside REIT unitholders	$ 302,197
25.42% interest in the REIT held by NWI	137,208
	$ 439,405
Net gain on business combination	$ (57,880)

(in thousands of Canadian dollars)

5. Combination Transaction (continued)

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

During the three and six months ended June 30, 2015, the REIT incurred transaction costs of $4,732 and $8,408 related to the Combination Transaction. These costs have been expensed as incurred in the statement of income (loss) and comprehensive income (loss).

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

For the three months ended June 30, 2015	As reported	Pro Forma
Revenues	$ 44,837	$ 62,910
Net income attributable to unitholders	$ 100,920	$ 102,652

For the six months ended June 30, 2015	As reported	Pro Forma
Revenues	$ 71,770	$ 128,159
Net income attributable to unitholders	$ 99,379	$ 105,690

The pro forma supplemental information is not necessarily indicative of the REIT's consolidated financial results in future periods or the results that would have been realized had the Combination Transaction been completed at the beginning of the period presented. The pro forma supplemental information excludes business integration costs and opportunities.

6. Property Acquisitions

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

There were no acquisitions during the six months ended June 30, 2014.

7. Property Disposal

There were no disposals during the three and six months ended June 30, 2015.

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

(in thousands of Canadian dollars)

8. Investment Properties

As at	**June 30, 2015**	December 31, 2014
Balance, beginning of the period	**$ 524,230**	$ 448,832
Acquisition of investment property	**1,052**	72,468
Disposition of investment property (note 7)	**–**	(6,924)
Acquisition of control (note 4)	**563,212**	–
Combination Transaction (note 5)	**1,270,031**	–
Additions to investment properties	**29,106**	984
Increase in straight line rents	**267**	–
Reclassified as assets held for sale (note 14)	**(16,287)**	–
Reclassification of deferred revenue	**(11,408)**	–
Fair value gain	**98,590**	26,814
Foreign currency translation	**(44,606)**	(17,944)
Balance, end of the period	**$ 2,414,187**	$ 524,230

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

The fair value of the investment properties at June 30, 2015 and December 31, 2014 were determined using both valuation models incorporating available market evidence and valuations performed by third-party appraisers. Estimates and assumptions used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, and property level net operating income.

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

	As at June 30, 2015			
	Canada	Brazil	Germany	Australia
Discount rate - range	6.0% - 9.8%	10.0%	6.5% - 7.0%	8.3% - 11.0%
Discount rate - weighted average	7.6%	10.0%	6.7%	9.1%
Terminal capitalization rate - range	5.8% - 8.8%	9.0%	6.9% - 8.4%	7.4% - 10.3%
Terminal capitalization rate - weighted average	7.0%	9.0%	7.4%	8.5%
Implied capitalization rate - range	5.3% - 9.4%	9.4%	5.7% - 7.4%	7.0% - 10.3%
Implied capitalization - rate weighted average	6.7%	9.4%	6.4%	8.0%

(in thousands of Canadian dollars)

8. Investment Properties (continued)

	As at December 31, 2014			
	Canada	Brazil	Germany	Australia
Discount rate - range	6.0% - 9.8%	10.0%	6.5% - 7.0%	8.8% - 12.5%
Discount rate - weighted average	7.5%	10.0%	6.7%	10.4%
Terminal capitalization rate - range	5.8% - 8.8%	9.0%	6.95- 8.4%	7.3% - 11.3%
Terminal capitalization rate - weighted average	6.9%	9.0%	7.4%	9.6%
Implied capitalization rate - range	5.3% - 9.4%	9.4%	5.7% - 7.4%	7.1% - 12.0%
Implied capitalization rate - weighted average	6.8%	9.4%	6.4%	9.0%

During the six months ended June 30, 2015, investment properties with an aggregate fair value of $948,995 (year ended December 31, 2014 - $24,230) were valued by external valuation professionals with recognized and relevant professional qualification.

9. Investment in Associates

	Vital Trust (i)	NWHP REIT (ii)	Total
As at December 31, 2013	**$ 106,077**	**$ 153,426**	**$ 259,503**
Cash distributions received	(5,980)	(9,518)	(15,498)
Share of profit (loss) for the year	7,707	(5,681)	2,026
Share of other comprehensive loss for the year	(887)	–	(887)
Foreign exchange	10,786	–	10,786
As at December 31, 2014	**$ 117,703**	**$ 138,227**	**$ 255,930**
Assumption of units on business combination (note 3)	575	–	575
Acquisition of control (note 4)	(118,278)	–	(118,278)
Cash distributions received	–	(3,172)	(3,172)
Share of profit for the period	–	2,153	2,153
Combination transaction (note 5)	–	(137,208)	(137,208)
As at June 30, 2015	**$ –**	**$ –**	**$ –**

(i) Investment in Vital Healthcare Property Trust

Prior to the Internalization Transaction (note 3), the REIT's investment in Vital Trust was accounted for using the equity method. Upon internalization, the REIT acquired all of the rights and obligations relating to the management of Vital Trust, and therefore it was deemed, among other factors, that the REIT obtained control with respect to this investment (note 5). Effective January 1, 2015, the REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

(in thousands of Canadian dollars)

9. Investment in Associates (continued)

As at June 30, 2015, the REIT had exposure to 82,064,902 units of Vital Trust (December 31, 2014 - 81,659,866) representing an interest of approximately 24% (December 31, 2014 - 24%). The closing price on the New Zealand Stock Exchange ("NZX") of Vital Trust's units as at June 30, 2015 was $1.39 (NZ $1.64) (December 31, 2014 - $1.42 (NZ $1.57)).

(ii) Investment in NorthWest Healthcare Properties REIT

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

10. Intangible Asset

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

	June 30, 2015	December 31, 2014
Balance, beginning of the period	**$** 12,490	$ 14,051
Settlement of existing arrangement [1]	(12,490)	–
Acquisition of Vital Trust management rights (note 4)	46,757	–
Amortization	–	(1,561)
Balance, end of the period	**$ 46,757**	$ 12,490

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

11. Due from Related Parties

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

As at	**June 30, 2015**	December 31, 2014
Working capital and closing adjustment receivable - Initial International Assets (i)	**$ –**	$ 16,967
Interest rate subsidy (ii)	**669**	4,155
Instalment note receivable (iii)	**–**	1,386
Vital Management Fee Participation	**–**	4,702
Interest (note 23 (iii))	**–**	2,941
Internalization contribution (iv)	**1,385**	–
Other (v)	**(370)**	57
	$ 1,684	$ 30,208

11. Due from Related Parties (continued)

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

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

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

(ii) Interest rate subsidy

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

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

NWVP and the REIT agreed to further extend and amend the interest rate subsidy, with an effective date of January 1, 2015, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to March 31, 2015. For the three and six months ended June 30, 2015 the interest rate subsidy was nil and $669 respectively (three and six months ended June 30, 2014 - $245 and $914 respectively).The interest rate subsidy has been recorded as a capital contribution on the condensed consolidated interim statement of unitholders' equity.

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

(iii) Instalment note receivable

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

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

(in thousands of Canadian dollars)

11. Due from Related Parties (continued)

(iv) Internalization contribution

As a result of costs incurred by the REIT following completion of the Internalization Transaction (note 3), NWVP committed to make a capital contribution to the REIT. For the three and six months ended June 30, 2015, the REIT recorded a capital contribution of nil and $1,385 respectively. The capital contribution is recorded on the condensed consolidated interim statement of unitholders' equity.

(v) Other

In the normal course of operations, through shared services arrangements with affiliates of NWVP and through the post-closing working capital adjustment related to the Internalization Transaction (note 3), the REIT has amounts owing to and from NWVP and affiliates. These amounts combined are a net current liability as at June 30, 2015 and are non-interest bearing.

12. Other Assets

As at	**June 30, 2015**	December 31, 2014
Commodity taxes recoverable (payable)	**$ (115)**	$ 75
Acquisition costs and deposits	**756**	888
Prepaid expenses	**3,318**	80
Furniture and office equipment	**1,476**	–
Mortgage escrow	**207**	–
Other	**911**	–
	$ 6,553	$ 1,043

Acquisition costs and deposits relate to potential acquisitions which are currently undergoing due diligence.

13. Cash and Restricted Cash

As at	**June 30, 2015**	December 31, 2014
Cash	**$ 5,970**	$ 18,370
Restricted Cash	**1,671**	2,578
	$ 7,641	$ 20,948

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

(in thousands of Canadian dollars)

14. Assets Held for Sale

As at June 30, 2015, the REIT classified three properties as held for sale with a total value of $16,287. At June 30, 2015, management had committed to a plan of sale of the underlying properties and the sale is considered to be highly probable. Liabilities associated with these assets are $13,592 representing mortgages secured by the investment properties.

15. Mortgages and Loans Payable

As at	June 30, 2015	December 31, 2014
Mortgages payable (net of financing costs of $1,379) (i)	**$ 804,944**	$ 75,554
Margin facilities (net of financing costs of $146) (ii)	**43,343**	113,424
Term loans (net of financing costs of $3,314) (iii)	**373,385**	176,309
Acquisition Facility (net of financing costs of $794)	**23,206**	23,025
Secured floating rate revolving credit facility	**38,000**	–
Total	**$ 1,282,878**	388,312
Less: Current portion	**252,458**	233,636
Non-current debt	**$ 1,030,420**	$ 154,676

(i) Mortgages payable

All mortgages are secured by first or second charges on specific investment properties in Canada and Germany, with a carrying value of $1,291,760 at June 30, 2015, and are repayable as follows:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable
2015 remainder	$ 9,743	$ –	$ 9,743
2016	19,300	110,863	130,163
2017	15,711	174,481	190,192
2018	14,316	86,970	101,286
2019	11,801	62,872	74,673
2020	10,525	45,186	55,711
2021	7,985	69,486	77,471
2022	5,881	50,264	56,145
2023	3,467	43,979	47,446
2024	2,085	14,225	16,310
2025 and thereafter	2,699	22,173	24,872
Face value	$ 103,512	$ 680,499	$ 784,011
Mark-to-market adjustment			22,312
Unamortized financing costs			(1,379)
Carrying amount			$ 804,944

15. Mortgages and Loans Payable (continued)

The REIT has entered into interest rate swap contracts to limit its exposure to fluctuations in the interest rates on $78,722 of its variable rate mortgages payable as at June 30, 2015 (note 18(ii)). The interest rate swaps fix the interest rates between 2.13% and 4.32% and terminate between June 2019 and January 2023.

(ii) Margin facilities

(a) Immediately prior to the Combination Transaction, NWI's margin facilities secured by units of the REIT were repaid in full and cancelled.

(b) As at June 30, 2015, the REIT has pledged 81,659,865 (December 31, 2014 - 81,659,865) units of Vital Trust as security for the margin facilities. As at June 30, 2015, the principal balance outstanding on the margin facilities with respect to the REIT's investment in Vital Trust was $43,489 (NZ$51,447).

The REIT has entered into an interest rate swap with respect to the one margin facility secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately $3,973 (NZ $4,700) of the outstanding loan balance (note 18). The interest rate swap fixes the interest rate at 4.03% and terminates on March 29, 2016.

(iii) Term Loans

(a) Brazil term loans

As at June 30, 2015, the Brazil term loans had a principal balance of $159,169 (December 31, 2014 - $180,099).

The REIT has entered into interest rate swaps with respect to the Brazil term loans. At June 30, 2015, the interest rate swaps fix the interest rate to 8.95% (December 31, 2014 - 7.30%) and mature in December 2015. On maturity, the principal balance of the term loans will be adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). For the three and six months ended June 30, 2015, accretion expense of $852 and $6,482 respectively (for the three and six months ended June 30, 2014 - $3,112 and $7,802 respectively) was recorded to account for the related IPCA adjustment for the period.

(b) Vital Trust term loans

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. The approximately $310,000 (A$325,000) facility, a multi-currency facility, is split between Tranche A: approximately $119,000 (A$125,000) and Tranche B: approximately $96,000 (A$100,000) which are due to expire on March 31, 2019, and Tranche C: approximately $96,000 (A$100,000) plus the New Zealand Dollar Facility: approximately $17,000 (NZ$20,000) which are due to expire on March 31, 2017. As at June 30, 2015, Vital Trust had borrowings on the term loan facilities totalling $217,530 (December 31, 2014 – nil).

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on June 26, 2014. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

(in thousands of Canadian dollars)

15. Mortgages and Loans Payable (continued)

(iv) Secured Floating Rate Revolving Credit Facility

The REIT has a floating rate revolving credit facility of $50,000 and a $5,000 letter of credit facility, which expire on March 25, 2016. The facilities bear interest at banker's acceptance rate plus 2.00% or prime plus 1.00% and are secured by certain investment properties, with a carrying value of $98,528, and the terms of a general security agreement. As at June 30, 2015, there was a $38,000 (December 31, 2014 - nil) outstanding balance on the credit facility, net of unamortized financing costs of nil (December 31, 2014 - nil).

A summary of the maturity and effective interest rates relating to the mortgages and loans payable outstanding at June 30, 2015 are as follows:

	Maturity	Weighted Average Interest Rate	Carrying Value
Fixed rate			
Mortgage debt	November 30, 2017 - May 1, 2025	4.18%	**$ 734,944**
Term loans	December 22, 2015 - March 31, 2019	6.85%	**373,385**
Total fixed rate debt			**$ 1,108,329**
Variable rate			
Mortgage debt	June 1, 2017 - August 1, 2017	5.64%	**$ 70,000**
Margin facilities	September 1, 2014 - August 23, 2018	6.68%	**43,343**
Acquisition facility	January 1, 2017	8.20%	**23,206**
Secured floating rate revolving credit facility	March 25, 2016	3.26%	**38,000**
Total variable rate debt			**$ 174,549**
Total debt			**$ 1,282,878**

As at June 30, 2015, the scheduled principal repayments and debt maturities are as follows:

	Mortgage Debt	Margin Facilities	Term Loans	Acquisition Facility	Credit Facility	Total
2015 remainder	$ 9,743	$ 35,613	$ 107,380	$ –	$ –	**$ 152,736**
2016	130,163	–	51,790	–	38,000	**219,953**
2017	190,192	–	95,620	24,000	–	**309,812**
2018	101,286	7,876	–	–	–	**109,162**
2019	74,673	–	121,909	–	–	**196,582**
2020 & thereafter	277,954	–	–	–	–	**277,954**
	784,011	43,489	376,699	24,000	38,000	**1,266,199**
Financing costs	(1,379)	(146)	(3,314)	(794)	–	**(5,633)**
Mark-to-market adjustment	22,312	–	–	–	–	**22,312**
	$ 804,944	$ 43,343	$ 373,385	$ 23,206	$ 38,000	**$ 1,282,878**

(in thousands of Canadian dollars)

16. Deferred Consideration

The following table summarizes the deferred consideration payable:

As at	**June 30, 2015**	December 31, 2014
Holdback payable - Brazil (i)	**$ 30,573**	$ 33,060
Accrued transaction costs - Brazil	**7,368**	8,024
Holdback payable - Germany (ii)	**195**	196
	$ 38,136	$ 41,280

(i) In connection with the acquisition of 3 hospitals from Rede D'Or (the "Rede D'Or Hospital Acquisition") on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complies with conditions related to certain title and zoning matters.

On October 17, 2014, the purchase and sale agreement with respect to the Rede D'Or Hospital Acquisition was amended to extend the payment date of the holdback related to Hospital Caxias D'Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) to the payment date, the holdback will be adjusted by the variation of the CDI plus 7.34% annually. The amendment provides that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be limited to nil between January 15, 2015 and the date the vendor conditions are resolved. On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved and continue to be unresolved. As such, since January 15, 2015 to June 30, 2015, no inflation adjustment has been recognized in respect of the holdback.

For the three and six months ended June 30, 2015, accretion expense of nil and $237 respectively (three and six months ended June 30, 2014 - $833 and $1,584 respectively) was recorded to account for the related CDI adjustments on the holdbacks payable which has been recorded as finance costs in the condensed consolidated interim statement of income and comprehensive income.

(ii) In connection with the acquisition of the Hohenschoenhausen property in Germany on August 29, 2014, the REIT held back a portion of the purchase price for potential working capital adjustments and information deficiencies. Settlement of the holdback is due no later than one year from closing.

17. Convertible Debentures

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

(in thousands of Canadian dollars)

17. Convertible Debentures (continued)

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

	June 30, 2015	December 31, 2014
Balance, beginning of the period	**$ 71,920**	$ 35,423
Issuance of convertible debentures	**–**	38,750
Convertible debentures assumed on Combination Transaction (note 5)	**41,244**	–
Increase (decrease) in fair value of convertible debentures	**6,111**	(2,253)
Balance, end of the period	**$ 119,275**	$ 71,920

The fair values of convertible debentures, determined on the basis of the closing market price as at the reporting date, are as follows:

As at	**June 30, 2015**	December 31, 2014
Series NWH.DB	**$ 40,250**	$ –
Series NWH.DB.A (formerly MOB.DB)	**22,600**	20,343
Series NWH.DB.B (formerly MOB.DB.A)	**17,675**	17,477
Series NWH.DB.C (formerly MOB.DB.B)	**38,750**	34,100
	$ 119,275	$ 71,920

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

(in thousands of Canadian dollars)

18. Derivative Financial Instruments

(i) Derivative financial instrument (asset)

The derivative financial instrument asset relates to foreign exchange contracts in place at Vital Trust. The forward exchange contracts are measured using a valuation model based on the applicable forward price curves derived from observable forward prices.

(ii) Derivative financial instrument (liability)

The derivative financial instrument liability relates to both interest rate swaps with a value of $15,347 (December 31, 2014 - $2,894) and foreign exchange contracts (note 18(i)) with a value of $4,134 (December 31, 2014 - nil).

The REIT has entered into interest rate swap contracts with respect to a margin facility secured by the Vital Trust units (note 15), certain Canadian and German mortgages (note 15) and the Vital Trust and Brazil term loans (note 15). The interest rate derivatives mature over the next 6 months to 10 years and have fixed interest rates ranging from 2.13% to 8.95%.

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

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six months Ended June 30, 2015	Six months Ended June 30, 2014
Fair value adjustment - interest rate swaps	**$ (2,942)**	$ 361	**$ (1,280)**	$ 351
Receipts/(payments) under hedging foreign exchange contracts	**(87)**	–	**(311)**	–
Fair value adjustment - foreign exchange contracts	**1,620**	–	**1,459**	–
Fair value adjustment - warrant liability		(115)		–
	$ (1,409)	$ 246	**$ (132)**	$ 351

19. Deferred Unit Plan ("DUP") Liability

In connection with the Combination Transaction, the combined entity adopted the NWI's DUP which became effective in March 2010 and was re-approved at the annual general meeting of Unitholders in 2013. The DUP is administered by the Compensation, Governance and Nominating Committee. The purpose of the DUP is to promote a greater alignment of interests between the Trustees, officers and certain other participants of the REIT and the Unitholders. Under the plan, the maximum number of units authorized for issuance shall not exceed 5% of the units issued and outstanding at any given time. The deferred units can be settled at the holders' option in units or cash subject to the REIT's approval and are treated as a liability until redeemed.

(in thousands of Canadian dollars)

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

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

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

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

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

(i) Liability:

	June 30, 2015	December 31, 2014
Balance, beginning of the period	**$ 457**	$ 370
Liability assumed on Internalization Transaction (note 3)	**3,596**	–
Liability assumed on Combination Transaction (note 5)	**2,704**	–
Unit-based compensation expense	**5,578**	221
Exercised and paid in cash	**(396)**	(120)
Exercised and paid in REIT units	**(191)**	–
Fair value adjustment	**(1,684)**	(14)
Foreign exchange	**(21)**	–
Balance, end of the period	**$ 10,043**	$ 457

The balance of the DUP liability at June 30, 2015 relates to $9,687 related to the REIT's DUP and $356 related to Vital Trust's DUP (December 31, 2014 - $457 related to the REIT).

(in thousands of Canadian dollars)

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

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

(ii) Units outstanding:

June 30, 2015	REIT	Vital Trust
Balance, beginning of the period	47,577	–
Assumed on Internalization Transaction (note 3)	829,865	813,637
Assumed on Combination Transaction (note 5)	409,222	–
Granted	1,233,862	144,116
Exercised and paid in cash	(44,573)	–
Exercised and paid in REIT units	(25,185)	–
Distribution entitlement	127,103	21,984
Balance, end of period	2,577,871	979,737
Units vested but not exercised, end of period	486,354	–

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

For the three and six months ended June 30, 2015, the REIT granted or issued 14,250 and 1,233,862 DUP units with a value of $115 and $12,012 respectively (for the three and six months ended June 30, 2014 - 22,168 and 39,182 DUP units with a fair value of $45,001 and $81,751 respectively).

For the three and six months ended June 30, 2015, Vital Trust granted or issued 144,116 DUP units with a value of $219 (for the three and six months ended June 30, 2014 - nil).

(in thousands of Canadian dollars)

20. Class B and Class D Exchangeable Units

The Class B and Class D exchangeable units are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B and Class D exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

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

As at		**June 30, 2015**		December 31, 2014
Class B exchangeable units (i)	**$**	**152,929**	$	182,137
Class D exchangeable units (ii)		–		2,221
	$	**152,929**	$	184,358

(i) Class B Exchangeable Units

As at June 30, 2015, there were 19,188,063 Class B exchangeable units of NWI LP issued and outstanding with a fair value of $152,929. These Class B exchangeable units are economically equivalent to REIT units and are entitled to receive distributions equal to those provided to holders of REIT units. The fair value of the Class B exchangeable unit liability is determined with reference to the market price of the REIT's units at the reporting date.

Distributions declared on the Class B exchangeable units of NWI LP totaled $4,249 and $9,323 for the three and six months ended June 30, 2015 (three and six months ended June 30, 2014 - $5,009 and $10,017) and have been accounted for as finance costs.

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

	Units		**Amount**
Balance, December 31, 2013	**18,942,211**	**$**	**183,958**
Fair value adjustment of Class B exchangeable units	–		(1,821)
Balance, December 31, 2014	**18,942,211**	**$**	**182,137**
Conversion of Class D to Class B exchangeable units (note 20 (ii))	245,852		2,366
Fair value adjustment of Class B exchangeable units	–		(31,574)
Balance, June 30, 2015	**19,188,063**	**$**	**152,929**

(in thousands of Canadian dollars)

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

(ii) Class D Exchangeable Units

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

	Units		Amount
Balance, December 31, 2013	**–**	**$**	**–**
Units issued as settlement of Class C Amount	393,342		4,104
Converted to REIT units	(162,342)		(1,689)
Fair value adjustment of Class D exchangeable units	–		(194)
Balance, December 31, 2014	**231,000**	**$**	**2,221**
Units issued for settlement of estimated Class C Amount	14,852		145
Conversion of Class D to Class B exchangeable units	(245,852)		(2,366)
Balance, June 30, 2015	**–**	**$**	**–**

21. Unitholders' Equity

The REIT is authorized to issue two categories of equity: (a) REIT units of the REIT; and (b) special voting units attached to the exchangeable Class B exchangeable units of NWI LP, a subsidiary of the REIT.

The REIT is authorized to issue an unlimited number of REIT units without par value. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require the REIT to redeem their units on demand. Upon receipt of the redemption notice by the REIT, all rights to and under the units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per unit ("Redemption Price"), as determined by a market formula.

The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

The special voting units are only issued in tandem with Class B exchangeable units and are not transferable separately from the Class B exchangeable units to which they are attached. As Class B exchangeable units are exchanged or surrendered for REIT units, the corresponding special voting units will be cancelled for no consideration. Special voting units have no economic entitlement in the REIT, but entitle the holder to one vote per special voting unit at any meeting of the unitholders.

The REIT's Trustees have discretion in declaring distributions.

(in thousands of Canadian dollars)

21. Unitholders' Equity (continued)

The following table shows the changes in REIT Units:

	REIT units	Amount
Balance - December 31, 2013	**11,435,504**	**$ 90,504**
Units issued pursuant to equity offering (i)	5,413,321	54,705
Units issued pursuant to exercise of warrants (ii)	624,000	7,342
Unit issue costs - cash (i) and (ii)	–	(4,555)
Units issued through distribution reinvestment plan (iii)	102,776	1,016
Conversion of Class D exchangeable units (note 20 (ii))	162,342	1,689
Asset management fees paid in units (iv)	317,452	3,288
Balance - December 31, 2014	**18,055,395**	**$ 153,989**
Units issued through distribution reinvestment plan (iii)	106,690	910
Units issued under deferred unit plan (note 20)	23,861	203
Asset management fees paid in units (v)	29,856	292
Units issued on Combination Transaction (note 5)	34,936,028	302,197
Units redeemed on business combination (vi)	(239,300)	(2,070)
Balance - June 30, 2015	**52,912,530**	**$ 455,521**

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

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

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

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

21. Unitholders' Equity (continued)

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

(iv) During the year ended December 31, 2014, the REIT issued 317,452 REIT units (1,526,212 NWI Trust Units at the 0.208 conversion ratio) to settle outstanding asset management fees owing to a subsidiary of NWVP (note 23).

(v) During the three and six months ended June 30, 2015, the REIT issued nil and 29,856 REIT units (143,538 NWI Trust Units at the 0.208 conversion ratio) to settle outstanding asset management fees owing to a subsidiary of NWVP (note 23).

(vi) In connection with the Combination Transaction (note 5), the REIT received notices of dissent from unitholders holding a total of 1,150,458 NWI trust units. As such, 1,150,458 NWI trust units were cancelled and accordingly a liability equal to the fair market value of the units on the date prior to the closing of the Combination Transaction has been accrued and is included in accounts payable and accrued liabilities until a settlement with the dissenting unitholders is achieved.

(vii) On June 29, 2015 the REIT announced that it intended to make a normal course issuer bid ("NCIB") for a portion of its trust units ("Units") as appropriate opportunities arise from time to time. Subsequent to the quarter end on July 13, 2015 the REIT announced that the Toronto Stock Exchange (the "TSX") had approved the REIT's NCIB.

Pursuant to the NCIB, the REIT intends to acquire up to a maximum of 4,762,579 of its Units, or approximately 10% of its public float as of July 10, 2015, for cancellation over the next 12 months. As of July 10, 2015, the REIT had 52,912,529 issued and outstanding Units.

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

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

(in thousands of Canadian dollars)

21. Unitholders' Equity (continued)

The REIT also announced that it adopted an automatic securities purchase plan in connection with its NCIB that contains strict parameters regarding how its Units may be repurchased during times when it would ordinarily not be permitted to purchase Units due to regulatory restrictions or self-imposed blackout periods. The automatic securities purchase plan is effective July 16, 2015 and will have an initial term of three months, with the REIT having the ability to extend the term of the plan until the end of the normal course issuer bid.

22. Supplemental Cash Flow Information

(i) Changes in Non-Cash Working Capital Balances

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Accounts receivable	**$ 612**	$ 449	**$ (91)**	$ 603
Other assets	**(515)**	4,517	**(1,694)**	(1,489)
Accounts payable and accrued liabilities	**(2,491)**	(3,820)	**(1,352)**	1,725
	$ (2,394)	$ 1,146	**$ (3,137)**	$ 839

(ii) Supplemental disclosure relating to non-cash financing and investing activities:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Non-cash business combination (note 3)	**$ –**	$ –	**$ 33,158**	$ –
Non-cash acquisition of control (note 4)	**–**	–	**241,912**	–
Non-cash business combination (note 5)	**302,197**	–	**302,197**	–
Asset management fees settled through issuance of units (note 21(iv) and (v))	**–**	771	**292**	1,553
Non-cash distributions to Unitholders under the DRIP (note 21(iii))	**583**	246	**910**	398
Issuance of Class D exchangeable units (note 20(ii))	**–**	4,104	**–**	4,104
Conversion of Class D exchangeable units to REIT units (note 20(ii))	**–**	1,689	**–**	1,689

(in thousands of Canadian dollars)

23. Related Party Transactions

(i) As at June 30, 2015, NWVP indirectly owned approximately 34% of the outstanding REIT units (approximately 30% on a fully-diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) of the REIT through a combination of units of the REIT and Class B exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder, sole director and President of NWVP. Bernard Crotty, a Trustee of the REIT, served as Senior Vice-President of NWVP. Teresa Neto, Chief Financial Officer of the REIT, served as Chief Financial Officer of NWVP up to December 31, 2014.

(ii) Prior to January 28, 2015, affiliates of NWVP served as the REIT's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. On January 28, 2015, with the effective date of January 1, 2015, the REIT internalized it external management arrangements (the "Internalization Transaction"), terminating the asset management, property management and development functions of the REIT currently carried on by affiliates of NWVP. The Internalization Transaction also resulted in the REIT acquiring from NWVP all of the rights and obligations relating to the management of Vital Trust.

Post the Internalization Transaction, the REIT entered into a cost-sharing agreement with an affiliate of NWVP for certain shared services and administration support services for a fee based on cost-sharing. The REIT also has entered into a monthly sublease agreement with an affiliate of NWVP for the REIT to lease its head office premises.

The following table summarizes the related party transactions with NWVP and its affiliates related to the former Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement as well as the cost-sharing and sublease agreements during the period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	**2015**	2014
Base asset management fees	**$ –**	$ 792	**$ –**	$ 1,574
Property management fees	**–**	82	**–**	135
Management fee participation	**–**	(922)	**–**	(1,339)
Reimbursement of out-of-pocket costs	**310**	656	**600**	1,406
Cost-sharing and sublease agreements	**–**	–	**225**	–
	$ 310	$ 608	**$ 825**	$ 1,776

(iii) To provide the REIT with an effective economic return on the working capital and closing adjustment receivable (note 11(i)), NWVP has agreed to pay interest of nil and $305 for the three and six months ended June 30, 2015 respectively (for the three and six months ended June 30, 2014 - $340 and $680 respectively).

(in thousands of Canadian dollars)

23. Related Party Transactions (continued)

(iv) At June 30, 2015, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable owing to NWVP and affiliates in the amount of $1,279 (December 31, 2014 - $13,377), which were settled subsequent to quarter end.

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

24. Segmented Information

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

During the three and six months ended June 30, 2015, two tenants in the Brazil operating segment accounted for 17% and 23% respectively (three and six months ended June 30, 2014 - 86% and 86% respectively) of the total revenue from investment properties.

As at June 30, 2015

	Germany	Brazil	Australia/ New Zealand	Canada	Corporate	**Total**
Investment properties	**$ 137,746**	**$ 364,468**	**$ 654,161**	**$ 1,257,812**	**$ –**	**$ 2,414,187**
Investment in associates	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Mortgages and loans payable	**$ 73,949**	**$ 156,664**	**$ 260,064**	**$ 730,995**	**$ 61,206**	**$ 1,282,878**

As at December 31, 2014

	Germany	Brazil	Australia/ New Zealand	Canada	Corporate	**Total**
Investment properties	**$ 137,979**	**$ 386,251**	**$ –**	**$ –**	**$ –**	**$ 524,230**
Investment in associates	**$ –**	**$ –**	**$ 117,703**	**$ 138,227**	**$ –**	**$ 255,930**
Mortgages and loans payable	**$ 75,554**	**$ 176,309**	**$ 46,334**	**$ 67,090**	**$ 23,025**	**$ 388,312**

(in thousands of Canadian dollars)

24. Segmented Information (continued)

For the Three Months Ended June 30, 2015

	Germany	Brazil	Australia/ New Zealand	Canada	Corporate	**Total**
Operating Income (Loss)						
Net Operating Income						
Revenue from investment properties	$ 3,110	$ 7,891	$ 14,360	$ 19,476	$ –	**$ 44,837**
Property operating costs	950	–	1,521	8,273	–	**10,744**
	2,160	7,891	12,839	11,203	–	**34,093**
Other Income						
Interest	–	58	36	19	1	**114**
Management fee participation	–	–	–	–	–	**–**
Share of profit of associate	–	–	–	590	–	**590**
	–	58	36	609	1	**704**
Expenses						
Mortgage and loan interest expense	438	4,647	3,284	4,819	2,278	**15,466**
General and administrative expenses	612	649	1,683	–	3,931	**6,875**
Transaction costs	198	–	–	–	4,822	**5,020**
Amortization of intangible asset	–	–	–	–	–	**–**
Foreign exchange loss (gain), net	1	(13)	1,550	–	(5,454)	**(3,916)**
	1,249	5,283	6,517	4,819	5,577	**23,445**
Operating income (loss)	**$ 911**	**$ 2,666**	**$ 6,358**	**$ 6,993**	**$ (5,576)**	**11,352**

(in thousands of Canadian dollars)

24. Segmented Information (continued)

For the Three Months Ended June 30, 2014

	Germany	Brazil	Australia/ New Zealand	Canada	Corporate	**Total**
Operating Income (Loss)						
Net Operating Income						
Revenue from investment properties	$ 1,426	$ 9,070	$ –	$ –	$ –	**$ 10,496**
Property operating costs	311	–	–	–	–	**311**
	1,115	9,070	–	–	–	**10,185**
Other Income (Loss)						
Interest	–	93	–	–	351	**444**
Management fee participation	–	–	922	–	–	**922**
Share of profit (loss) of associate	–	–	3,481	(11,345)	–	**(7,864)**
	–	93	4,403	(11,345)	351	**(6,498)**
Expenses						
Mortgage and loan interest expense	260	3,272	829	1,615	1,184	**7,160**
General and administrative expenses (income)	(68)	640	–	–	1,416	**1,988**
Transaction costs	–	–	–	–	–	**–**
Amortization of intangible asset	–	–	–	–	391	**391**
Foreign exchange loss (gain), net	–	82	–	–	(1,404)	**(1,322)**
	192	3,994	829	1,615	1,587	**8,217**
Operating income (loss)	**$ 923**	**$ 5,169**	**$ 3,574**	**$ (12,960)**	**$ (1,236)**	**$ (4,530)**

(in thousands of Canadian dollars)

24. Segmented Information (continued)

For the Six Months Ended June 30, 2015

	Germany	Brazil	Australia/ New Zealand	Canada	Corporate	**Total**
Operating Income (Loss)						
Net Operating Income						
Revenue from investment properties	$ 6,276	$ 16,446	$ 29,572	$ 19,476	$ –	**$ 71,770**
Property operating costs	1,901	–	3,526	8,273	–	**13,700**
	4,375	16,446	26,046	11,203	–	**58,070**
Other Income						
Interest	–	189	55	19	308	**571**
Management fee participation	–	–	–	–	–	**–**
Share of profit of associate	–	–	–	2,153	–	**2,153**
	–	189	55	2,172	308	**2,724**
Expenses						
Mortgage and loan interest expense	885	7,627	7,025	6,301	4,142	**25,980**
General and administrative expenses	1,116	1,296	2,958	–	7,211	**12,581**
Transaction costs	207	–	–	–	9,188	**9,395**
Amortization of intangible asset	–	–	–	–	–	**–**
Foreign exchange loss (gain), net	3	8	1,301	–	(3,061)	**(1,749)**
	2,211	8,931	11,284	6,301	17,480	**46,207**
Operating income (loss)	**$ 2,164**	**$ 7,704**	**$ 14,817**	**$ 7,074**	**$ (17,172)**	**$ 14,587**

(in thousands of Canadian dollars)

24. Segmented Information (continued)

For the Six Months Ended June 30, 2014

	Germany	Brazil	Australia/ New Zealand	Canada	Corporate	**Total**
Operating Income (Loss)						
Net Operating Income						
Revenue from investment properties	$ 2,923	$ 17,732	$ –	$ –	$ –	**$ 20,655**
Property operating costs	737	–	–	–	–	**737**
	2,186	17,732	–	–	–	**19,918**
Other Income (Loss)						
Interest	–	170	–	–	712	**882**
Management fee participation	–	–	1,339	–	–	**1,339**
Share of profit (loss) of associate	–	–	4,691	(7,672)	–	**(2,981)**
	–	170	6,030	(7,672)	712	**(760)**
Expenses						
Mortgage and loan interest expense	518	6,366	1,602	3,230	2,355	**14,071**
General and administrative expenses (income)	(35)	1,215	–	–	2,357	**3,537**
Transaction costs	–	–	–	–	–	**–**
Amortization of intangible asset	–	–	–	–	781	**781**
Foreign exchange loss (gain), net	–	(46)	–	–	2,943	**2,897**
	483	7,535	1,602	3,230	8,436	**21,286**
Operating income (loss)	**$ 1,703**	**$ 10,367**	**$ 4,428**	**$ (10,902)**	**$ (7,724)**	**$ (2,128)**

25. Commitments and Contingencies

(i) The REIT has entered into fixed-price utility contracts with a third-party supplier in the amount of $3,960 to provide electricity and gas for its own use at its investment properties for 2015 to 2018.

(ii) The REIT obtains letters of credit to support its obligations with respect to construction work on its investment properties and satisfying mortgage financing requirements. As at June 30, 2015, the REIT has a total of $610 in outstanding letters of credit related to construction work that is being performed on investment properties. The REIT does not believe that any of these standby letters of credit are likely to be drawn upon.

(iii) Pursuant to the sale of two of the REIT's investment properties (prior to the Combination Transaction), the existing mortgages were assumed by the purchasers. In the event of default, the REIT has guaranteed the outstanding balance of the mortgages of $8,414 as at June 30, 2015.

(iv) The REIT has entered into construction agreements on development properties and is committed to construction costs of $52,273 as at June 30, 2015.

25. Commitments and Contingencies (continued)

(v) The REIT indemnifies individuals who act or have acted at the REIT's request to be a trustee, director, officer and/or advisor of the REIT (and/or one or more of its direct and indirect subsidiaries), to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevents the REIT from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

(vi) The REIT is subject to legal and other claims in the normal course of business. Management and the REIT's legal counsel evaluate all claims. In the opinion of management these claims are generally covered by the REIT's insurance policies and any liability from such claims would not have a significant effect on the REIT's condensed consolidated interim financial statements.

26. Fair Values

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

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

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

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

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

The fair value of the REIT's mortgages and loans payable and liabilities related to assets held for sale are determined using present value calculations based on market-observable interest rates for mortgages and loans with similar terms and conditions (Level 2).

The carrying values of the REIT's financial assets, which include accounts receivable, balances due from related parties, other assets, and cash and restricted cash, as well as financial liabilities, which includes accounts payable and accrued liabilities, distributions payable, income tax payable, and deferred consideration approximate their recorded fair values due to their short-term nature.

(in thousands of Canadian dollars)

26. Fair Values (continued)

The fair value hierarchy of assets and liabilities measured at fair value on the condensed consolidated interim balance sheet or disclosed in the notes to the condensed consolidated interim financial statements as at June 30, 2015 is as follows:

	Carrying Value	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
Assets measured at fair value:				
Investment properties	$ 2,414,187	$ –	$ –	$ 2,414,187
Derivative financial instruments	20	–	20	–
Assets held for sale	16,287	–	–	16,287
Liabilities measured at fair value:				
Derivative financial instruments	19,481	–	19,481	–
Convertible debentures	119,275	119,275	–	–
Class B and D exchangeable units	152,929	152,929	–	–
Deferred unit plan liability	10,043	10,043	–	–
Financial liabilities recorded at amortized cost:				
Mortgages and loans payable	1,282,878	–	1,288,854	–
Liabilities related to assets held for sale	13,592	–	13,693	–

The fair value hierarchy of assets and liabilities measured at fair value on the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements as at December 31, 2014 is as follows:

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

(in thousands of Canadian dollars)

27. Capital Management

The REIT considers its capital to be its unitholders' equity, Class B and Class D exchangeable units, and debt. The REIT is free to determine the appropriate level of capital in context with its cash flow requirements, overall business risks and potential business opportunities. As a result of this, the REIT will make adjustments to its capital based on its investment strategies and changes to economic conditions.

The REIT's strategy is also driven by policies as set out in the Declaration of Trust. The requirements of the REIT's operating policies as outlined in the Declaration of Trust include the requirement that the REIT will not incur or assume indebtedness which would cause the total indebtedness of the REIT to exceed 65% of Gross Book Value as defined. Indebtedness as defined in the Declaration of Trust excludes deferred revenue and unsecured debt which includes convertible debentures.

At June 30, 2015, the REIT is in compliance with its debt-to-gross book value ratio of the Declaration of Trust at 51.4% (December 31, 2014 - 51.6%). The debt-to-gross book value including convertible debentures is 56.1% (December 31, 2014 - 60.1%). Calculations are as follows:

As at	**June 30, 2015**	December 31, 2014
Debt		
Gross value of secured debt [(1)]	**$ 1,304,335**	$ 436,432
Gross value of total debt [(2)]	**$ 1,423,610**	$ 508,352
Gross Book Value of Assets		
Total assets	**$ 2,539,814**	$ 846,270
Debt-to-Gross Book Value (Declaration of Trust)	**51.4%**	51.6%
Debt-to-Gross Book Value (including convertible debentures)	**56.1%**	60.1%

[(1)] represents the principal balance of mortgages, margin facilities, term loans, and deferred consideration

[(2)] represents the principal balance of mortgages, margin facilities, term loans, convertible debentures (at fair value) and deferred consideration

28. Risk Management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are consistent with those disclosed in the consolidated NWI financial statements as at and for the year ended to December 31, 2014.

29. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

30. Subsequent Events

(i) On July 9, 2015, the REIT declared a distribution of $0.6667 per REIT Unit to unitholders of record on July 31, 2015, payable August 17, 2015

(ii) On August 10, 2015, the REIT completed the first draw of an $18,450 construction financing facility it has secured on the REIT's 81-85 The East Mall property, located in Toronto, Canada. The facility is for a term of up to 24 months, interest only, at a fixed rate of 3.85%. The first tranche of $8,503 funded on August 6, 2015 with the balance to fund, based on monthly draws, during the construction period.

(iii) During the period from July 16, 2015 to August 11, 2015, the REIT has purchased 304,000 trust units pursuant to its NCIB for cancellation at a volume weighted average price per unit of $7.92 for a total cost of $2,409 (including commissions).