



**Condensed Consolidated Interim Financial Statements [unaudited]  
For the three months ended March 31, 2019 and 2018**

# Condensed Consolidated Interim Statements of Financial Position

*In thousands of Canadian dollars,  
[unaudited]*

	Note	March 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	[3]	\$2,831,964	\$2,799,693
Property and equipment		6,217	5,659
Assets held for sale	[4]	19,500	—
Other non-current assets		335	530
		<b>\$2,858,016</b>	<b>\$2,805,882</b>
<b>Current assets</b>			
Cash		\$2,298	\$3,789
Rent and other receivables		2,380	3,025
Other current assets	[6]	16,352	11,710
		<b>21,030</b>	<b>18,524</b>
<b>TOTAL ASSETS</b>		<b>\$2,879,046</b>	<b>\$2,824,406</b>
<b>EQUITY AND LIABILITIES</b>			
Unitholders' equity		\$1,268,562	\$1,168,814
Non-controlling interest		124	136
<b>Total Equity</b>		<b>\$1,268,686</b>	<b>\$1,168,950</b>
<b>Non-current liabilities</b>			
Mortgages and loans payable	[7]	\$1,078,228	\$1,060,082
Other liabilities	[8]	7,147	—
Exchangeable Units	[12]	80,578	66,207
Deferred income tax	[18]	137,256	134,684
Deferred unit-based compensation	[15]	5,038	4,579
		<b>\$1,308,247</b>	<b>\$1,265,552</b>
<b>Current liabilities</b>			
Mortgages and loans payable	[7]	\$228,003	\$232,394
Credit facilities	[9]	—	53,350
Construction loans	[10]	28,867	60,502
Accounts payable and accrued liabilities	[11]	45,243	43,658
		<b>302,113</b>	<b>389,904</b>
<b>Total Liabilities</b>		<b>\$1,610,360</b>	<b>\$1,655,456</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$2,879,046</b>	<b>\$2,824,406</b>
<b>Commitments and contingencies</b>	[22]		
<b>Financial guarantees</b>	[23]		

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board of Trustees

(signed) "G. Wayne Watson"  
Trustee

(signed) "Philip D. Fraser"  
Trustee

# Condensed Consolidated Interim Statements of Income and Comprehensive Income

*In thousands of Canadian dollars,  
[unaudited]*

For the three months ended March 31,

	Note	2019	2018
<b>Property revenue</b>	[16]	<b>\$57,091</b>	\$49,449
<b>Property operating expenses</b>			
Operating expenses		(8,929)	(7,992)
Utility and fuel expenses		(7,754)	(7,220)
Property taxes		(6,863)	(5,814)
		<b>(23,546)</b>	(21,026)
<b>Net operating income</b>		<b>\$33,545</b>	\$28,423
Other income		197	295
Financing costs	[17]	(11,841)	(8,955)
Depreciation		(157)	(122)
Administration		(3,864)	(3,441)
Fair value adjustment on unit-based compensation		(1,240)	238
Fair value adjustment on Exchangeable Units	[12]	(14,371)	1,314
Fair value adjustment on investment properties	[3]	27,395	60,714
Loss on disposition		—	(183)
<b>Income before income taxes</b>		<b>29,664</b>	78,283
Deferred tax expense	[18]	(2,572)	(9,369)
<b>Net income</b>		<b>\$27,092</b>	\$68,914
<b>Other comprehensive income</b>			
<b>Item that may be reclassified subsequently to net income</b>			
Amortization of loss in AOCL to financing costs		—	15
<b>Comprehensive income</b>		<b>\$27,092</b>	\$68,929
<b>Net income attributable to:</b>			
Unitholders		27,089	68,907
Non-controlling interest		3	7
		<b>\$27,092</b>	\$68,914
<b>Comprehensive income attributable to:</b>			
Unitholders		27,089	68,922
Non-controlling interest		3	7
		<b>\$27,092</b>	\$68,929

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statements of Changes in Equity

*In thousands of Canadian dollars,  
[unaudited]*

Three months ended March 31, 2019	Trust Units	Contributed Surplus	Retained Earnings	AOCL	Non-controlling Interest	Total Equity
As at January 1, 2019	\$798,473	\$795	\$369,546	\$—	\$136	\$1,168,950
Distribution reinvestment plan	3,800	—	—	—	—	3,800
Deferred unit-based compensation	662	—	—	—	—	662
Units issued for cash	82,516	—	—	—	—	82,516
Net income	—	—	27,089	—	3	27,092
Distributions on non-controlling interest	—	—	—	—	(15)	(15)
Distributions declared and paid	—	—	(9,265)	—	—	(9,265)
Distributions payable	—	—	(5,054)	—	—	(5,054)
As at March 31, 2019	\$885,451	\$795	\$382,316	\$—	\$124	\$1,268,686

Three months ended March 31, 2018	Trust Units	Contributed Surplus	Retained Earnings	AOCL	Non-controlling Interest	Total Equity
As at January 1, 2018	\$718,858	\$795	\$247,965	(\$37)	\$141	\$967,722
Exchange of Exchangeable Units	378	—	—	—	—	378
Distribution reinvestment plan	3,267	—	—	—	—	3,267
Deferred unit-based compensation	198	—	—	—	—	198
Net income	—	—	68,907	—	7	68,914
Amortization of loss on forward interest rate hedge	—	—	—	15	—	15
Distributions on non-controlling interest	—	—	—	—	(32)	(32)
Distributions declared and paid	—	—	(8,409)	—	—	(8,409)
Distributions payable	—	—	(4,341)	—	—	(4,341)
As at March 31, 2018	\$722,701	\$795	\$304,122	(\$22)	\$116	\$1,027,712

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*

# Condensed Consolidated Interim Statements of Cash Flows

*In thousands of Canadian dollars,  
[unaudited]*

For the three months ended March 31,

	Note	2019	2018
<b>OPERATING ACTIVITIES</b>			
Net income		\$27,092	\$68,914
<b>Add (deduct) items not affecting cash</b>			
Fair value adjustments		(11,784)	(62,266)
Depreciation		197	237
Amortization of deferred financing		895	487
Non-cash compensation expense		555	366
Deferred income taxes		2,572	9,369
Loss on disposition		—	183
Loss (gain) on derivative liability		195	(32)
Interest expense on Exchangeable Units		671	604
Net change in non-cash assets and liabilities	[20]	(819)	906
<b>Cash provided by operating activities</b>		<b>\$19,574</b>	<b>\$18,768</b>
<b>FINANCING ACTIVITIES</b>			
Deferred financing costs paid		(846)	(2,647)
Net proceeds on issuance of Units		82,516	—
Cash paid on vesting of restricted Units		(664)	(538)
Mortgage financing		67,070	82,194
Mortgages repaid		(42,702)	(22,939)
Mortgage principal repayments		(10,703)	(9,370)
Credit facility (repayments) proceeds		(53,350)	60,985
Construction loans (repayments) proceeds		(31,635)	7,841
Distributions paid to non-controlling interest		(15)	(32)
Distributions to unitholders		(10,757)	(9,926)
<b>Cash (used in) provided by financing activities</b>		<b>(\$1,086)</b>	<b>\$105,568</b>
<b>INVESTING ACTIVITIES</b>			
(Increase) decrease in restricted cash		(2,003)	120
Acquisition of investment properties, net of debt assumed		(1,574)	(102,170)
Disposition of investment properties		—	1,460
Development of investment properties		(5,098)	(13,440)
Capital expenditures		(11,304)	(7,761)
<b>Cash used in investing activities</b>		<b>(\$19,979)</b>	<b>(\$121,791)</b>
<b>Net (decrease) increase in cash</b>		<b>(1,491)</b>	<b>2,545</b>
Cash, beginning of period		3,789	12,000
<b>Cash, end of period</b>		<b>\$2,298</b>	<b>\$14,545</b>

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

*Dollar amounts in thousands of Canadian dollars (except as noted)*

*[unaudited]*

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## 1. Organization of the Trust

Killam Apartment Real Estate Investment Trust ("Killam" or the "Trust") is an unincorporated open-ended mutual fund trust created pursuant to the amended and restated Declaration of Trust ("DOT"), dated November 27, 2015, under the laws of the Province of Ontario. Killam specializes in the acquisition, management and development of multi-residential apartment buildings and manufactured home communities ("MHCs") in Canada.

The condensed consolidated interim financial statements comprise the financial statements of Killam and its subsidiaries as at and for the three months ended March 31, 2019. Killam's head office operations are located at 3700 Kempt Road, Halifax, Nova Scotia, B3K 4X8.

## 2. Significant Accounting Policies

### (A) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been omitted or condensed.

The condensed consolidated interim financial statements of the Trust for the three months ended March 31, 2019, were authorized for issue in accordance with a resolution of the Board of Trustees of Killam on May 1, 2019.

### (B) Basis of Presentation

The condensed consolidated interim financial statements of Killam have been prepared on a historical cost basis, except for investment properties, deferred unit-based compensation and Exchangeable Units, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The condensed consolidated interim financial statements have been prepared on a going concern basis and are presented in Canadian dollars, which is Killam's functional currency, and all values are rounded to the nearest thousand (\$000), except per unit amounts or as noted.

The condensed consolidated interim financial statements should be read in conjunction with the most recently issued Annual Report of Killam, which includes information necessary or useful to understanding the Trust's business and financial statement presentation. In particular, Killam's significant accounting policies were presented in note 2 to the consolidated financial statements for the year ended December 31, 2018, and have been consistently applied in the preparation of these condensed consolidated interim financial statements, with the exception of the accounting changes noted in (C) below.

The operating results for the three months ended March 31, 2019, are not necessarily indicative of results that may be expected for the full year ending December 31, 2019, due to seasonal variations in property expenses and other factors.

### (C) Adoption of Accounting Standards

#### IFRS 16, *Leases*

On January 13, 2016 the International Accounting Standards Board (IASB) issued IFRS 16, replacing IAS 17 and related interpretations. IFRS 16 provides a comprehensive framework for recognition, measurement and disclosure for accounting for leases. Lessor accounting under IFRS 16 is substantially unchanged and lessors will continue to classify all leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where Killam is the lessor.

Killam adopted the standard on January 1, 2019 using the modified retrospective approach and elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Killam has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value.

As part of the adoption of this standard, Killam reviewed all lease contracts in which they are a lessee and concluded that all leases, with the exception of three ground leases, were assets of low value and therefore had no impact upon adoption. The implementation of IFRS 16 resulted in a right-of-use asset and lease liability being recorded in the amount of \$7.1 million. Refer to Note 8 to the condensed consolidated interim financial statements for additional information.

# Notes to the Condensed Consolidated Interim Financial Statements

*Dollar amounts in thousands of Canadian dollars (except as noted)*

*[unaudited]*

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## 2. Significant Accounting Policies (continued)

In accordance with IFRS 16, at the commencement date of any new leases, Killam will recognize a liability to reflect the present value of the lease obligations and an asset representing the right to use the underlying asset during the lease term. Land leases meet the definition of investment property under IAS 40; therefore, the fair value model is applied to these assets. Interest expense on the lease liability and the fair value gain or loss on the right-of-use asset is recognized separately on the statement of income and comprehensive income.

Killam measures lease liabilities at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, Killam uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities are remeasured if there are modifications, a change in the lease terms, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### *IFRIC Interpretation 23, Uncertainty over Income Tax Treatment*

In June 2017, the IASB issued IFRIC 23 which addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments collectively;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers the effect of changes in facts and circumstances.

An entity applies IFRIC 23 for annual reporting periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight.

The IFRIC Interpretation did not have a material impact on Killam's condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 3. Investment Properties

As at March 31, 2019

Segment	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
Balance, beginning of period	\$2,425,158	\$153,509	\$122,835	\$37,163	\$61,028	\$2,799,693
Impact of change in accounting policy	7,115	—	—	—	—	7,115
<b>Restated balance, beginning of period</b>	<b>2,432,273</b>	<b>153,509</b>	<b>122,835</b>	<b>37,163</b>	<b>61,028</b>	<b>2,806,808</b>
Fair value adjustment on investment properties	25,601	2,011	212	—	(429)	27,395
Acquisitions	—	—	—	—	1,574	1,574
Capital expenditures	10,118	429	42	2,742	1,683	15,014
Interest capitalized on IPUC and land for development	—	—	—	153	520	673
Transfer to held for sale	(15,099)	—	—	—	(4,401)	(19,500)
<b>Balance, end of period</b>	<b>\$2,452,893</b>	<b>\$155,949</b>	<b>\$123,089</b>	<b>\$40,058</b>	<b>\$59,975</b>	<b>\$2,831,964</b>

As at December 31, 2018

Segment	Apartments	MHCs	Commercial	IPUC	Land for Development	Total
Balance, beginning of year	\$1,995,144	\$139,783	\$36,445	\$80,226	\$28,165	\$2,279,763
Fair value adjustment on investment properties	118,601	5,271	7,301	4,919	1,800	137,892
Acquisitions	167,218	4,789	76,179	—	28,347	276,533
Dispositions	—	—	—	—	(1,460)	(1,460)
Transfer from IPUC	104,283	—	—	(104,283)	—	—
Capital expenditures	39,912	3,666	2,910	53,336	3,972	103,796
Transfer from land for development	—	—	—	1,273	(1,273)	—
Interest capitalized on IPUC and land for development	—	—	—	1,692	1,477	3,169
Balance, end of year	\$2,425,158	\$153,509	\$122,835	\$37,163	\$61,028	\$2,799,693

During the three months ended March 31, 2019, Killam acquired the following property:

Property	Location	Acquisition Date	Ownership Interest	Property Type	Purchase Price <sup>(1)</sup>	
					Income-producing Properties	Properties Under Construction
9 Dietz	Waterloo, ON	15-Jan-19	100%	Land for Development	\$—	\$1,500

<sup>(1)</sup> Purchase price does not include transaction costs.

During the three months ended March 31, 2019, Killam capitalized salaries of \$0.8 million (March 31, 2018 - \$0.7 million), as part of its project improvement, suite renovation and development programs. For the three months ended March 31, 2019, interest costs associated with the general corporate borrowings used to fund development were capitalized to the respective development projects using Killam's weighted average borrowing rate of 3.09% (March 31, 2018 - 2.90%). Interest costs associated with development specific loans were capitalized to the respective developments using the actual borrowing rate associated with the loan.

Investment properties with a fair value of \$2.2 billion as at March 31, 2019, (December 31, 2018, - \$2.2 billion), have been pledged as collateral against Killam's mortgages, construction loans and credit facilities.



# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 3. Investment Properties (continued)

### Valuation Basis

Using the direct income capitalization method, the apartment properties were valued using cap-rates in the range of 3.72% to 8.00%, applied to a stabilized net operating income ("NOI") of \$125.9 million (December 31, 2018 - 3.75% to 8.00% and \$125.5 million), resulting in an overall weighted average cap-rate of 5.11% (December 31, 2018 - 5.15%). The stabilized occupancy rates used in the calculation of NOI were in the range of 94.0% to 99.0% (December 31, 2018 - 94.0% to 99.0%).

Using the direct income capitalization method, the MHC properties were valued using cap-rates in the range of 5.75% to 8.00%, applied to a stabilized NOI of \$10.2 million (December 31, 2018 - 5.75% to 8.00% and \$10.2 million), resulting in an overall weighted average cap-rate of 6.62% (December 31, 2016 - 6.84%). The stabilized occupancy rate used in the calculation of NOI was 97.8% (December 31, 2018 - 97.8%).

Investment property valuations are most sensitive to changes in the cap-rate. The cap-rate assumptions for the investment properties are included in the following table by region:

	March 31, 2019			December 31, 2018		
	Low	High	Effective Weighted Average	Low	High	Effective Weighted Average
<b>Apartments</b>	<b>3.72%</b>	<b>8.00%</b>	<b>5.11%</b>	3.75%	8.00%	5.15%
Halifax	4.50%	6.00%	5.16%	4.50%	6.00%	5.22%
Moncton	5.15%	7.00%	5.63%	5.15%	7.00%	5.73%
Fredericton	5.00%	6.00%	5.73%	5.00%	6.00%	5.73%
Saint John	5.75%	6.25%	6.04%	5.75%	6.25%	6.04%
St. John's	5.00%	6.00%	5.62%	5.00%	6.00%	5.62%
Charlottetown	5.28%	6.00%	5.75%	5.28%	6.00%	5.74%
Ontario	3.72%	5.08%	4.30%	3.75%	5.08%	4.33%
Alberta	4.50%	5.00%	4.72%	4.50%	5.00%	4.72%
Other Atlantic	5.75%	8.00%	6.67%	5.75%	8.00%	6.67%
<b>MHCs</b>	<b>5.75%</b>	<b>8.00%</b>	<b>6.62%</b>	5.75%	8.00%	6.76%
Ontario	6.00%	8.00%	7.02%	6.50%	8.00%	7.35%
Nova Scotia	5.75%	7.00%	6.21%	5.75%	7.00%	6.21%
New Brunswick	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Newfoundland	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%

The quantitative sensitivity analysis shown below illustrates the value increase or decrease in Killam's portfolio of properties given the change in the capitalization rate:

Class of Property	Capitalization Rate	
	10 basis points increase	10 basis points decrease
Apartments	(\$47,277)	\$49,164
MHCs	(\$2,283)	\$2,353

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 4. Assets held for sale

Killam determined that two apartments and a parcel of land for development met the criteria for classification as assets held for sale as at March 31, 2019. The sales to unrelated third parties are expected to close in Q2-2019.

## 5. Joint Operations and Investments in Joint Venture

Killam has interests in three properties (six buildings), two development projects and two land parcels for future development that are subject to joint control and are joint operations. Accordingly, the condensed consolidated interim statements of financial position and condensed consolidated interim statements of income and comprehensive income include Killam's rights to and obligations for the related assets, liabilities, revenue and expenses. As at March 31, 2019, the fair value of the investment property subject to joint control was \$288.5 million (December 31, 2018 - \$286.8 million).

## 6. Other Current Assets

As at	March 31, 2019	December 31, 2018
Restricted cash	\$9,408	\$7,405
Prepaid expenses	6,739	4,029
Inventory	205	276
	<b>\$16,352</b>	<b>\$11,710</b>

Restricted cash consists of security deposits, funds held in trust and property tax reserves. Inventory relates to manufactured homes for which sales have not closed at quarter-end.

## 7. Mortgages and Loans Payable

As at	March 31, 2019		December 31, 2018	
	Weighted Average Interest	Debt Balance	Weighted Average Interest	Debt Balance
Mortgages and loans payable				
Fixed rate	2.97%	\$1,291,921	2.95%	\$1,275,990
Variable rate	5.50%	14,310	5.42%	16,486
<b>Total</b>		<b>\$1,306,231</b>		<b>\$1,292,476</b>
Current		228,003		232,394
Non-current		1,078,228		1,060,082
		<b>\$1,306,231</b>		<b>\$1,292,476</b>

Mortgages are collateralized by a first charge on the properties.

As at March 31, 2019, unamortized deferred financing costs of \$30.0 million (December 31, 2018 - \$30.1 million) and mark-to-market adjustments on mortgages assumed on acquisitions of \$0.4 million (December 31, 2018 - \$0.4 million) are netted against mortgages and loans payable.

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 7. Mortgages and Loans Payable (continued)

Estimated future principal payments and maturities required to meet mortgage obligations by the 12 month period ending March 31, are as follows:

For the twelve month period ending March 31,	Principal Amount	% of Total Principal
2020	\$228,003	17.1%
2021	198,125	14.8%
2022	182,587	13.7%
2023	123,270	9.2%
2024	191,780	14.3%
Subsequent to 2024	412,869	30.9%
	\$1,336,634	100.0%
Unamortized deferred financing costs	(30,030)	
Unamortized mark-to-market adjustments	(373)	
	\$1,306,231	

## 8. Other Liabilities

In accordance with the adoption of IFRS 16, right-of-use assets and lease liabilities of \$7.1 million were recognized as at January 1, 2019. The lease liabilities were discounted at the incremental borrowing rate as at January 1, 2019. The weighted average discount rate was 4.04%. Killam transitioned to IFRS 16 in accordance with the modified retrospective approach, and as such prior year figures were not adjusted.

As at March 31, 2019, the right-of-use assets and lease liabilities are \$7.1 million. The right-of-use assets are classified as part of investment properties and the lease liabilities are classified in other liabilities on the consolidated statement of financial position. The total lease payments for the three months ended March 31, 2019, were \$0.03 million.

Gross lease liabilities at January 1, 2019	\$18,374
Discounting	(11,259)
Lease liabilities at January 1, 2019	7,115
Net change in lease liabilities	32
<b>Lease liabilities as at March 31, 2019</b>	<b>\$7,147</b>

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 9. Credit Facilities

Killam has access to two credit facilities with credit limits of \$70.0 million and \$5.0 million (December 31, 2018 - \$70.0 million and \$5.0 million) that can be used for acquisition and general business purposes. Killam holds an accordion option to increase the \$70.0 million facility by an additional \$20 million.

The \$70.0 million facility bears interest at prime plus 70 bps on prime rate advances or 170 bps over bankers' acceptances ("BAs"). The facility includes a \$30.0 million demand revolver and a \$40.0 million committed revolver as well as an accordion option to increase the \$70.0 million facility by an additional \$20.0 million. Killam has the right to choose between prime rate advances and BAs based on available rates and timing. As at March 31, 2019, Killam has assets with a carrying value of \$83.9 million pledged as first mortgage ranking and \$332.4 million pledged as second mortgage ranking to the line and a balance outstanding of \$nil (December 31, 2018 - \$53.4 million). The agreement includes certain covenants and undertakings with which Killam is in compliance as at March 31, 2019.

The \$5.0 million facility bears interest at prime plus 175 bps on advances and 135 bps on issuance of letters of credit in addition to 50 bps per annum. As at March 31, 2019, Killam had assets with a carrying value of \$2.1 million pledged as collateral (December 31, 2018 - \$2.1 million) and letters of credit totaling \$0.9 million outstanding against the facility (December 31, 2018 - \$1.0 million). The agreement includes certain covenants and undertakings with which Killam is in compliance as at March 31, 2019.

As at March 31, 2019	Maximum Loan Amount <sup>(1)</sup>	Amount Drawn	Letters of Credit	Amount Available
\$70.0 million demand facility	\$90,000	—	—	\$90,000
\$5.0 million demand facility	5,000	—	873	4,127
<b>Total</b>	<b>\$95,000</b>	<b>—</b>	<b>\$873</b>	<b>\$94,127</b>

As at December 31, 2018	Maximum Loan Amount	Amount Drawn	Letters of Credit	Amount Available
\$70.0 million demand facility	\$90,000	\$53,350	—	\$36,650
\$5.0 million demand facility	5,000	—	958	4,042
<b>Total</b>	<b>\$95,000</b>	<b>\$53,350</b>	<b>\$958</b>	<b>\$40,692</b>

(1) As at March 31, 2019, Killam has sufficient assets pledged against the demand facility to access the additional \$20.0 million accordion option to increase the \$70.0 million facility to \$90.0 million.

## 10. Construction Loans

As at March 31, 2019, Killam had access to two floating rate non-revolving demand construction loans, for the purpose of financing development projects, totaling \$79.8 million. Payments are made monthly on an interest-only basis. The construction loans have interest rates of prime plus 0.63% or 125 bps above BAs. Once construction is complete and rental targets achieved, the construction loans will be repaid in full and replaced with conventional mortgages. The underlying assets are pledged as collateral against these loans.

As at March 31, 2019, \$28.9 million was drawn on the construction loans (December 31, 2018 - \$60.5 million). The weighted-average interest rate was 3.89% (December 31, 2018 - 4.28%). In Q1-2019, Killam repaid \$34.0 million on the construction loan related to the Alexander development project. Permanent financing is expected to be placed on this property during Q2-2019.

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 11. Accounts Payable and Accrued Liabilities

As at	March 31, 2019	December 31, 2018
Accounts payable and other accrued liabilities	\$28,946	\$27,991
Distributions payable	5,054	4,627
Mortgage interest payable	2,930	2,852
Security deposits	8,313	8,188
	\$45,243	\$43,658

## 12. Exchangeable Units

	Number of Exchangeable Units	Value
Balance, December 31, 2018	4,153,520	\$66,207
Fair value adjustment	—	14,371
<b>Balance, March 31, 2019</b>	<b>4,153,520</b>	<b>\$80,578</b>

The Exchangeable Units are non-transferable, but are exchangeable, on a one-for-one basis, into Killam Trust Units at any time at the option of the holder. Prior to such exchange, distributions will be made on these Exchangeable Units in an amount equivalent to the distributions that would have been made had the units been exchanged for Killam Trust Units.

## 13. Unitholders' Equity

By virtue of Killam being an open-ended mutual fund trust, unitholders of Trust Units are entitled to redeem their Trust Units at any time at prices determined and payable in accordance with the conditions specified in Killam's DOT. As a result, under IFRS, Trust Units are defined as financial liabilities; however, for the purposes of financial statement classification and presentation, the Trust Units may be presented as equity instruments as they meet the puttable instrument exemption under IAS 32.

All Trust Units outstanding are fully paid, have no par value and are voting Trust Units. The DOT authorizes the issuance of an unlimited number of Trust Units. Trust Units represent a unitholder's proportionate undivided beneficial interest in Killam. No Trust Unit has any preference or priority over another. No unitholder has or is deemed to have any right of ownership in any of the assets of Killam. Each Unit confers the right to one vote at any meeting of unitholders and to participate pro rata in any distributions and, on liquidation, to a pro rata share of the residual net assets remaining after preferential claims thereon of debtholders.

Unitholders have the right to redeem their units at the lesser of (i) 90% of the market price of the Trust Unit (market price is defined as the weighted average trading price of the previous 10 trading days) and (ii) the most recent closing market price (closing market price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of \$50 thousand for all redemptions in a calendar month, or a note payable. For the three months ended March 31, 2019, no unitholders redeemed units.

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 13. Unitholders' Equity (continued)

The units issued and outstanding are as follows:

	Number of Trust Units	Value
Balance, December 31, 2018	86,058,671	\$798,473
Distribution reinvestment plan	223,101	3,800
Restricted trust units redeemed	34,785	662
Units issued for cash	5,048,500	82,516
<b>Balance, March 31, 2019</b>	<b>91,365,057</b>	<b>\$885,451</b>

### Units issued for cash

	Price per Unit	Gross Proceeds	Transaction Costs	Net Proceeds	Units Issued
Bought-deal (March 6, 2019)	\$17.10	\$75,069	\$3,316	\$71,753	4,390,000
Over-allotment (March 6, 2019)	\$17.10	11,260	497	10,763	658,500
Total		\$86,329	\$3,813	\$82,516	5,048,500

### Distribution Reinvestment Plan ("DRIP")

Killam's DRIP allows unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Unitholders who participate in the DRIP receive additional units equal to 3% of the units reinvested. Units issued with the DRIP are issued directly from the Trust at a price based on the 10-day volume weighted average closing price of the TSX preceding the relevant distribution date, which typically is on or about the 15<sup>th</sup> day of the month following the distribution declaration.

## 14. Distributions

Killam paid distributions to its unitholders during 2019, in accordance with its DOT. Distributions declared by the Board of Trustees were paid monthly, on or about the 15<sup>th</sup> day of each month.

For the three months ended March 31, 2019, the distributions declared related to the Trust Units were \$14.3 million (three months ended March 31, 2018 - \$12.7 million). For the three months ended March 31, 2019, distributions declared related to the Exchangeable Units were \$0.7 million (March 31, 2018 - \$0.6 million). The distributions on the Exchangeable Units are recorded in financing costs.

On February 12, 2019, the Board of Trustees approved a 3.1% increase to Killam's annual distribution, to \$0.66 per unit (\$0.055 per unit monthly). The increase was effective for the March 2019, distribution, paid on April 15, 2019.

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 15. Deferred Unit-based Compensation

Restricted Trust Units ("RTUs") are awarded to members of the senior executive team and director-level employees as a percentage of their compensation. The Trust also grants RTUs subject to performance conditions under the RTU Plan for certain senior executives. Non-executive members of the Board of Trustees have the right to receive a percentage of their annual retainer in the form of RTUs.

The number of RTUs awarded is based on the volume weighted average price of all Trust Units traded on the TSX for the five trading days immediately preceding the date on which the compensation is awarded. The RTUs earn distributions based on the same distributions paid on the Trust Units, and such distributions translate into additional RTUs. The initial RTUs, and RTUs acquired through distribution reinvestment, are credited to each person's account and are not issued to the employee or Board member until they redeem such RTUs. For employees, the RTUs will be redeemed and paid out in Trust Units by December 31 of the year in which the RTUs have vested. Effective Q3-2017, RTUs issued to Trustees will be redeemed and paid, in the issuance of Trust Units, upon retirement from the Board.

The RTUs subject to performance conditions will be subject to both internal and external measures consisting of both absolute and relative performance over a three-year period. Killam accounts for the RTUs subject to performance conditions under the fair value method of accounting, and uses the Monte-Carlo simulation pricing model to determine the fair value, which allows for the incorporation of the market based performance hurdles that must be met before the RTUs subject to performance conditions vest. Pursuant to IFRS, compensation costs related to awards with a market-based condition are recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided and all performance conditions have been satisfied.

The RTUs are considered a financial liability because there is a contractual obligation for the Trust to deliver Trust Units (which are accounted for as liabilities, but presented as equity instruments under IAS 32) upon conversion of the RTUs. The RTUs are measured at fair value with changes flowing through the condensed consolidated interim statements of income and comprehensive income. The fair value of the vested RTUs for the three months ended March 31, 2019, is \$5.0 million, which includes \$1.0 million related to RTUs subject to performance conditions (March 31, 2018 - \$3.9 million and \$0.2 million). For the three months ended March 31, 2019, compensation expense of \$0.6 million (March 31, 2018 - \$0.4 million) has been recognized in respect of the RTUs.

The details of the RTUs issued are shown below:

For the three months ended March 31,	2019		2018	
	Number of RTUs	Weighted Average Issue Price	Number of RTUs	Weighted Average Issue Price
Outstanding, beginning of period	403,730	\$13.12	432,687	\$12.09
Granted	88,055	17.18	117,091	12.95
Redeemed	(71,912)	12.61	(78,369)	10.76
Forfeited	(1,529)	12.83	(2,380)	12.83
Additional restricted trust unit distributions	4,107	17.13	5,578	13.50
Outstanding, end of period	422,451	\$14.09	474,607	\$12.53

## 16. Revenue

The lease and non-lease components of revenue are as follows:

For the three months ended March 31,	2019	2018
Rental revenue	\$40,534	\$35,590
Property management recoveries	13,702	12,061
Ancillary revenue <sup>(1)</sup>	2,855	1,798
	\$57,091	\$49,449

<sup>(1)</sup> Ancillary revenue consists of parking, laundry and other revenue.

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 17. Financing Costs

For the three months ended March 31,	2019	2018
Mortgage, loan and construction loan interest	\$10,191	\$8,670
Interest on credit facility	449	32
Interest on Exchangeable Units	671	604
Amortization of deferred financing costs	895	487
Amortization of fair value adjustments on assumed debt	40	11
Amortization of loss on interest rate hedge	—	15
Unrealized loss (gain) on derivative liability	195	(32)
Interest on lease liabilities	73	—
Capitalized interest	(673)	(832)
	\$11,841	\$8,955

## 18. Deferred Income Tax

Trusts that satisfy the REIT Exemption are excluded from the specified investment flow-through ("SIFT") definition and therefore will not be subject to taxation under the SIFT Rules. Effective December 31, 2018, Killam qualified for the REIT Exemption and continues to meet the REIT Exemption as at March 31, 2019, and is therefore not subject to taxation to the extent that income is distributed to unitholders. However, this exemption does not extend to the corporate subsidiaries of Killam that are taxable legal entities. For the three months ended March 31, 2019, the deferred tax expense relates to the corporate subsidiary entity of the REIT.

## 19. Segmented Information

For investment properties, discrete financial information is provided on a property-by-property basis to members of executive management, which collectively comprise the chief operating decision maker ("CODM"). The individual properties are aggregated into segments with similar economic characteristics such as the nature of the property, vacancy rates, long-term growth rates and other characteristics. Management considers that this is best achieved by aggregating into apartments, MHC and other segments. Consequently, Killam is considered to have three reportable segments, as follows:

- Apartment segment - acquires, operates, manages and develops multi-family residential properties across Canada;
- MHC segment - acquires and operates MHC communities in Ontario and Eastern Canada; and
- Other segment - includes seven commercial properties.

Killam's administration costs, other income, financing costs, depreciation and amortization, fair value adjustments, loss on disposition and deferred tax expense are not reported to the CODM on a segment basis.



# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 19. Segmented Information (continued)

The accounting policies of these reportable segments are the same as those described in the summary of significant accounting policies described in note 2 of the consolidated financial statements for the year ended December 31, 2018. Reportable segment performance is analyzed based on NOI. The operating results, and assets and liabilities, of the reportable segments are as follows:

For the three months ended March 31, 2019	Apartments	MHCs	Other	Total
Property revenue	\$50,937	\$3,109	\$3,045	\$57,091
Property operating expenses	(20,578)	(1,458)	(1,510)	(23,546)
Net operating income	\$30,359	\$1,651	\$1,535	\$33,545
For the three months ended March 31, 2018	Apartments	MHCs	Other	Total
Property revenue	\$45,368	\$2,984	\$1,097	\$49,449
Property operating expenses	(18,946)	(1,346)	(734)	(21,026)
Net operating income	\$26,422	\$1,638	\$363	\$28,423
As at March 31, 2019	Apartments	MHCs	Other	Total
Total assets	\$2,542,665	\$181,874	\$154,507	\$2,879,046
Total liabilities	\$1,390,864	\$92,856	\$126,640	\$1,610,360
As at December 31, 2018	Apartments	MHCs	Other	Total
Total assets	\$2,492,830	\$177,795	\$153,781	\$2,824,406
Total liabilities	\$1,448,761	\$92,184	\$114,511	\$1,655,456

## 20. Supplemental Cash Flow Information

For the three months ended March 31,	2019	2018
<b>Net income items related to investing and financing activities</b>		
Interest paid on mortgages payable and other	\$10,078	\$8,809
Interest paid on credit facilities	449	32
<b>Net change in non-cash operating assets and liabilities</b>		
Rent and other receivables	\$645	(\$1,280)
Other current assets	(2,639)	(2,981)
Accounts payable and other liabilities	1,175	5,167
	<b>(\$819)</b>	<b>\$906</b>

# Notes to the Condensed Consolidated Interim Financial Statements

*Dollar amounts in thousands of Canadian dollars (except as noted)*

*[unaudited]*

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## 21. Financial Instruments and Financial Risk Management Objectives and Policies

Killam's principal financial liabilities consist of mortgages, credit facilities, construction loans and trade payables. The main purpose of these financial liabilities is to finance investment properties and operations. Killam has various financial assets, such as tenant receivables and cash, which arise directly from its operations.

Killam may enter into derivative transactions, primarily interest rate swap contracts to manage interest rate risk arising from fluctuations in bond yields, as well as natural gas and oil swap contracts to manage price risk arising from fluctuations in these commodities. It is, and has been, Killam's policy that no speculative trading in derivatives shall be undertaken. The main risks arising from Killam's financial instruments are interest rate risk, credit risk and liquidity risk. These risks are managed as follows:

### (i) Interest Rate Risk

Killam is exposed to interest rate risk as a result of its mortgages and loans payable; however, this risk is mitigated through Management's strategy to structure the majority of its mortgages in fixed-term arrangements, as well as, at times, entering into cash flow hedges. Killam also structures its financings so as to stagger the maturities of its debt, minimizing the exposure to interest rate volatility in any one year.

As at March 31, 2019, \$43.2 million of Killam's debt had variable interest rates, including two construction loans for \$28.9 million and four demand loans totaling \$14.3 million. These loans and facilities have interest rates of prime plus 0.63% - 2.0% or 125 bps above BAs. (December 31, 2018 - prime plus 0.63% - 2.0% or 125 bps above BAs) and consequently, Killam is exposed to short-term interest rate risk on these loans.

Killam's fixed mortgage and vendor debt, which matures in the next 12 months, totals \$175.3 million. Assuming these mortgages are refinanced at similar terms, except at a 100 bps increase in interest rates, financing costs would increase by \$1.8 million per year.

### (i) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. Killam mitigates the risk of credit loss through the diversification of its existing portfolio and limiting its exposure to any one tenant.

Credit assessments are conducted for all prospective tenants and Killam also obtains a security deposit to assist in potential recoveries. In addition, receivables balances are monitored on an ongoing basis. Killam's bad debt expense experience has historically been less than 0.4% of revenue. None of Killam's tenants account for more than 5% of the tenant receivables as at March 31, 2019, or at March 31, 2018. The maximum exposure to credit risk is the carrying amount of each class of financial assets as disclosed in this note.

### (ii) Liquidity Risk

Management manages Killam's cash resources based on financial forecasts and anticipated cash flows. Killam structures its financing so as to stagger the maturities of its debt, thereby minimizing Killam's exposure to liquidity risk in any one year. In addition, Killam's apartments qualify for CMHC insured debt, reducing the refinancing risk upon mortgage maturities. Currently, 85% of Killam's apartment mortgages are CMHC insured.

Killam's MHCs do not qualify for CMHC insured debt; however, MHCs have access to conventional mortgage debt. Management does not anticipate liquidity concerns on the maturity of its mortgages as funds continue to be accessible in the multi-residential sector.

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 21. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

During the three months ended March 31, 2019, Killam refinanced \$40.5 million of maturing apartment mortgages with new mortgages totaling \$64.6 million, generating net proceeds of \$24.1 million. The following table presents the principal payments (excluding interest) and maturities of Killam's liabilities for the next five years and thereafter:

For the twelve months ending March 31,	Mortgage and Loans Payable	Construction Loans	Total
2020	\$228,003	\$28,867	\$256,870
2021	198,125	—	198,125
2022	182,587	—	182,587
2023	123,270	—	123,270
2024	191,780	—	191,780
Thereafter	412,869	—	412,869
	\$1,336,634	\$28,867	\$1,365,501

### Capital Management

The primary objective of Killam's capital management is to ensure a healthy capital structure to support the business and maximize unitholder value. Killam manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Killam may adjust the distribution payment to unitholders, issue additional units, issue debt securities or adjust mortgage financing on properties.

Killam's primary measure of capital management is the total debt to total assets ratio. Killam's strategy, as outlined in the operating policies of its DOT, is for its overall indebtedness not to exceed 70% of total assets. However Killam's long-term target is to manage overall indebtedness to be below 50%. The calculation of the total debt to total assets is summarized as follows:

As at	March 31, 2019	December 31, 2018
Mortgages and loans payable	\$1,306,231	\$1,292,476
Credit facilities	—	\$53,350
Construction loans	\$28,867	\$60,502
Total debt	\$1,335,098	\$1,406,328
Total assets	\$2,879,046	\$2,824,406
Total debt as a percentage of total assets	46.4%	49.8%

The above calculation is sensitive to changes in the fair value of investment properties, in particular cap-rate changes. A 10 bps increase in the weighted average cap-rate as at March 31, 2019, would increase the debt as a percentage of assets by 80 bps.

### Fair Value of Financial Instruments

Fair value is the amount that would be received in the sale of an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of interest-bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for similar term and current credit spreads for debt with similar terms and risks. The fair values of the Trust's financial instruments were determined as follows:

(i) the fair values of the mortgages payable are estimated based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Killam might pay or receive in actual market transactions;

(ii) the fair value of the deferred unit-based compensation and the Exchangeable Units is estimated at the reporting date, based on the closing market price of the Trust Units listed on the TSX. The performance based RTUs are determined using a pricing model. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in estimates could significantly affect fair values;

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 21. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

(iii) the fair value of the derivative liability is calculated based on an estimate of the mid-market arbitrage-free price of the swap. The arbitrage-free price comprises the present value of the future rights and obligations between two parties to receive or deliver future cash flows or exchange other assets or liabilities. Future obligations are valued as the sum of the present values as of the valuation date of contractually fixed future amounts and expected variable future amounts, the expected size of which is calculated from the projected levels of underlying variables. Future rights are valued as the sum of the present values of the expected values of contingent future amounts, the existence and size of which are calculated from the projected levels of underlying variables.

The significant financial instruments and their carrying values as at March 31, 2019, and December 31, 2018, are as follows:

As at Classification	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets carried at FVTPL:</b>				
Derivative asset <sup>(1)</sup>	\$335	\$335	\$530	\$530
<b>Financial liabilities carried at amortized cost:</b>				
Mortgages payable	\$1,306,231	\$1,349,700	\$1,292,476	\$1,319,513
<b>Financial liabilities carried at FVTPL:</b>				
Exchangeable Units	\$80,578	\$80,578	\$66,207	\$66,207
Deferred unit-based compensation	\$5,038	\$5,038	\$4,579	\$4,579

(1) The \$0.3 million derivative asset is included in other non-current assets within the condensed consolidated interim statements of financial position.

The interest rates used to discount the estimated cash flows, when applicable, are based on the five-year government yield curve at the reporting date, plus an adequate credit spread, and were as follows:

As at	March 31, 2019	December 31, 2018
Mortgages - Apartments	2.45%	2.88%
Mortgages - MHCs	4.25%	4.68%

### Assets and Liabilities Measured at Fair Value

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

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the condensed consolidated interim statements of financial position is as follows:

As at	March 31, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Investment properties	—	—	\$2,831,964	—	—	\$2,799,693
Derivative asset	—	\$335	—	—	\$530	—
<b>Liabilities</b>						
Exchangeable Units	—	\$80,578	—	—	\$66,207	—
Deferred unit-based compensation	—	\$4,035	\$1,003	—	\$3,944	635

# Notes to the Condensed Consolidated Interim Financial Statements

Dollar amounts in thousands of Canadian dollars (except as noted)

[unaudited]

## 21. Financial Instruments and Financial Risk Management Objectives and Policies (continued)

Transfers between levels in the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. There were no transfers of assets or liabilities between Levels 1, 2 and 3 during the three months ended March 31, 2019.

## 22. Commitments and Contingencies

Killam has entered into commitments for development costs of \$11.2 million as at March 31, 2019, (December 31, 2018 - \$7.7 million).

Killam is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the final outcome of such matters will not have a material adverse effect on the financial position, results of operations or liquidity of Killam. However, actual outcomes may differ from Management's expectations.

Killam owns a 10% interest in a development project in Calgary, Alberta. At the completion of construction and the achievement of certain conditions, Killam has a commitment in place to purchase three four-storey apartment buildings, containing 233 residential units.

Killam entered into a supply contract for electricity to hedge its own usage, which is summarized below:

Area	Utility	Usage Coverage	Term	Cost
Alberta	Hydro	50%	January 1, 2019 - December 31, 2019	\$56.66/MWh

## 23. Financial Guarantees

Killam is the guarantor on a joint and several basis for mortgage debt held through its joint operations. As at March 31, 2019, the maximum potential obligation resulting from these guarantees is \$127.5 million, related to long-term mortgage financing (December 31, 2018 - \$128.5 million). These loans are secured by a first ranking mortgage over the associated investment properties. Half of the total mortgages for these properties are recorded as a mortgage liability on the condensed consolidated interim statements of financial position.

Management has reviewed the contingent liability associated with its financial guarantee contracts and, as at March 31, 2019, determined that a provision is not required to be recognized in the condensed consolidated interim statements of financial position (December 31, 2018 - \$nil).

## 24. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period. Killam reclassified, on the condensed consolidated interim statements of income and comprehensive income, "amortization of deferred financing fees" to "financing costs" to reflect the nature of these expenses

# Notes to the Condensed Consolidated Interim Financial Statements

*Dollar amounts in thousands of Canadian dollars (except as noted)*

*[unaudited]*

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## 25. Related Party Transactions

Killam has a construction management agreement with APM Construction ("APM"), a company owned by a Trustee of Killam, to provide construction services related to the Shorefront apartment development in PEI. APM will be paid a market rate development and construction management fee. For the three months ended March 31, 2019, APM was paid \$0.3 million in development and construction management fees (March 31, 2018 - \$nil).

## 26. Subsequent Events

On April 15, 2019, Killam announced a distribution of \$0.055 per unit, payable on May 15, 2019, to unitholders of record on April 30, 2019.

On April 16, 2019, Killam waived conditions on the purchase a 50% interest in the Charlottetown Mall for \$23.7 million. The transaction is expected to close on May 17, 2019, and the purchase price will be satisfied with cash.

On April 18, 2019, Killam acquired a 59-unit apartment building in Fredericton, NB for \$8.1 million. The purchase price is funded through a \$6.3 million CMHC insured mortgage, with the balance in cash.

On April 22, 2019, Killam waived conditions and agreed to purchase its joint venture partner's 50% interest in Grid 5 located in Calgary, and 1355 Silver Spear including the adjacent development site located in Mississauga for \$73.5 million. The transaction is expected to close by the end of May 2019, and the purchase price will be satisfied with the assumption of \$41.0 million of mortgage debt and the remainder in cash.