



Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2019



Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Balance Sheet

Unaudited

(in thousands of Canadian dollars)

As at	Note		June 30, 2019		December 31, 2018
Assets					
Investment properties	3	\$	1,508,469	\$	1,197,811
Prepaid expenses and other assets	5		10,955		7,233
Resident and other receivables	6		1,084		989
Cash			5,691		892
		\$	1,526,199	\$	1,206,925
Liabilities and Unitholders' Equity					
Liabilities					
Class B LP Units	7	\$	392,365	\$	385,899
Class C LP Units	8		228,302		231,037
Mortgages	9		407,549		275,601
Credit facility	9		24,348		35,925
Tenant rental deposits			7,468		6,594
Due to related parties	10		3,088		4,289
Accounts payable and accrued liabilities	11		13,662		9,328
		\$	1,076,782	\$	948,673
Unitholders' equity					
			449,417		258,252
Contingencies and commitments	16				
Subsequent events	21				
		\$	1,526,199	\$	1,206,925

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

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statement of Net Income and Comprehensive Income

For the three and six months ended June 30, 2019

Unaudited

(in thousands of Canadian dollars)

	Note	Three months ended June 30, 2019	Six months ended June 30, 2019
Revenue from investment properties	14	\$ 24,796	\$ 46,931
Property operating expenses			
Property operating costs		4,504	8,734
Property taxes		2,649	5,047
Utilities		1,857	4,054
		9,010	17,835
Property operating income		15,786	29,096
Other expenses (income)			
General and administrative		1,277	2,427
Fair value (gain) on investment properties	3	(10,276)	(23,845)
Fair value (gain) loss on Class B LP Units	7,15	(30,872)	6,466
Fair value (gain) loss on unit-based compensation	20	(36)	44
Finance costs - operations	15	7,001	13,981
Fees and other income		(124)	(124)
		(33,030)	(1,051)
Net income and comprehensive income		\$ 48,816	\$ 30,147

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

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statement of Changes in Unitholders' Equity

For the six months ended June 30, 2019

Unaudited

(in thousands of Canadian dollars)

		Units	Distributions	Retained earnings	Total
Balance, January 1, 2019	\$	212,078	\$ (3,216)	\$ 49,390	\$ 258,252
Units issued, net of issue costs (Note 12)		165,172	-	-	165,172
Net income and comprehensive income		-	-	30,147	30,147
Distributions		-	(4,154)	-	(4,154)
Balance, June 30, 2019	\$	377,250	\$ (7,370)	\$ 79,537	\$ 449,417

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

Minto Apartment Real Estate Investment Trust

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2019

Unaudited

(in thousands of Canadian dollars)

Six months ended	Note	June 30, 2019
Cash provided by (used in):		
Operating activities		
Net income		\$ 30,147
Adjustments for:		
Finance costs - operations	15	13,981
Fair value (gain) on investment properties	3	(23,845)
Fair value loss on Class B LP Units	7,15	6,466
Fair value loss on unit-based compensation	20	44
Change in non-cash working capital	19	(11,198)
Cash provided by operating activities		15,595
Financing activities		
Proceeds from issuance of Units, net of issue costs		165,193
Proceeds from mortgage financing	9	111,816
CMHC premiums paid		(1,315)
Financing costs	9	(195)
Principal repayments on mortgages	9	(2,926)
Net payments on credit facility	9	(11,577)
Distributions on Class B LP Units		(4,275)
Distributions on Class C LP Units, used to repay principal	8	(2,495)
Distributions on Units		(3,853)
Interest paid		(9,619)
Cash provided by financing activities		240,754
Investing activities		
Acquisition of investment properties	4	(245,220)
Capital additions to investment properties		(6,330)
Cash used in investing activities		(251,550)
Change in cash during the period		4,799
Cash, beginning of the period		892
Cash, end of the period		\$ 5,691

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

Minto Apartment Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements

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(in thousands of Canadian dollars, except Unit and per Unit amounts)

1. Description of the entity

Minto Apartment Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated April 24, 2018, which was amended and restated on June 27, 2018, and further amended by the First Amendment to the Amended and Restated Declaration of Trust on July 10, 2018. The REIT was formed to own and operate a portfolio of income-producing multi-residential rental properties located in Canada. At June 30, 2019, the REIT's portfolio consists of 26 multi-residential rental properties.

The REIT was established under the laws of the Province of Ontario. The principal and registered office of the REIT is 200-180 Kent Street, Ottawa, Ontario.

The REIT's operations commenced on July 2, 2018 and as such there are no comparatives presented for the condensed consolidated interim statement of net income and comprehensive income, condensed consolidated interim statement of changes in unitholders' equity and condensed consolidated interim statement of cash flows.

2. Significant accounting policies

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the period from April 24, 2018 (date of formation) to December 31, 2018 (the "Annual 2018 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These condensed consolidated interim financial statements were approved by the Board of Trustees of the REIT and authorized for issuance on August 12, 2019.

The operating results for the six months ended June 30, 2019 are not necessarily indicative of results that may be expected for the year ending December 31, 2019 due to seasonal variations in property expenses and other factors.

The REIT's significant accounting policies were presented in Note 2 of the Annual 2018 Financial Statements and have been consistently applied in the preparation of these condensed consolidated interim financial statements, with the exception of the items described below:

(a) Leases

The REIT adopted amended standard IFRS 16, *Leases*, effective January 1, 2019 using the modified retrospective approach. The REIT has determined that the adoption of this standard did not result in changes to opening equity as at January 1, 2019.

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(b) Joint Arrangements

The REIT has joint arrangements in and joint control of certain investment properties. The REIT has assessed the nature of its joint arrangements and determined them to be joint operations. Joint operations are accounted for by the REIT by recognizing in relation to its interest its share of revenues, expenses, assets and liabilities, which are included in their respective captions on the condensed consolidated interim balance sheet and condensed consolidated interim statements of income and comprehensive income. All balances and effects of transactions between joint operations and the REIT have been eliminated to the extent of its interest in the joint operations.

(c) Investment properties

Investment properties include land acquired for future development to earn rental income. Fair value for land held for development is determined by reference to comparable market prices for similar assets.

(d) Revenue recognition

Management fees are earned from asset, project and property management. Management fees are recorded in fees and other income as the services are provided.

3. Investment properties

		June 30, 2019
Balance, December 31, 2018	\$	1,197,811
Additions		
Acquisitions of investment property (Note 4)		278,290
Capital expenditures		8,525
Fair value gain		23,845
Other		(2)
Balance, June 30, 2019	\$	1,508,469

The following is a breakdown of the REIT's investment properties by type:

		June 30, 2019		December 31, 2018
Residential properties	\$	1,483,131	\$	1,175,915
Commercial properties		22,820		21,896
Land held for development		2,518		-
	\$	1,508,469	\$	1,197,811

The fair value methodology for the REIT's investment properties is considered level 3, as significant unobservable inputs are required to determine fair value. The fair value of investment properties is based on internal valuations and as at June 30, 2019, the entire portfolio was internally valued. The REIT's internal valuation team consists of qualified individuals who hold recognized relevant professional qualifications and have recent experience in the location and category of the respective properties.

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The REIT conducts external appraisals of a third of its portfolio annually to ensure that every property is externally appraised at least once every three years.

The table below summarizes the key unobservable inputs in determining fair value:

	Valuation approach	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Residential properties	Direct capitalization approach	Capitalization rates	There is an inverse relationship between the capitalization rates and the fair value; in other words, the higher the capitalization rates, the lower the estimated fair value.
Commercial properties	Discounted future cash flow approach	Discount and terminal capitalization rates	There is an inverse relationship between the discount and capitalization rates and the fair value; in other words, the higher the discount and/or capitalization rates, the lower the estimated fair value.

The following table summarizes the key valuation metrics of the REIT's residential properties:

	June 30, 2019			December 31, 2018		
	Min	Max	Weighted	Min	Max	Weighted
			Average			Average
Capitalization rate	3.38%	5.00%	4.10%	3.38%	5.00%	4.20%

The following table summarizes the sensitivity of the fair value of residential investment properties to changes in capitalization rates as at June 30, 2019 and December 31, 2018:

Rate sensitivity	June 30, 2019		December 31, 2018	
	Fair value	Change in fair value	Fair value	Change in fair value
+ 75 basis points	\$ 1,243,647	\$ (239,484)	\$ 989,758	\$ (186,157)
+ 50 basis points	1,314,576	(168,555)	1,045,000	(130,915)
+ 25 basis points	1,393,872	(89,259)	1,106,651	(69,264)
Base rate	1,483,131	-	1,175,915	-
- 25 basis points	1,584,391	101,260	1,254,324	78,409
- 50 basis points	1,700,295	217,164	1,343,864	167,949
- 75 basis points	1,834,342	351,211	1,447,155	271,240

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The following table summarizes the key valuation metrics of the REIT's commercial properties:

	June 30, 2019			December 31, 2018		
	Min	Max	Weighted Average	Min	Max	Weighted Average
Discount rate	5.75%	6.75%	5.99%	5.75%	6.75%	6.07%
Terminal capitalization rate	5.25%	6.25%	5.49%	5.25%	6.25%	5.54%
Number of discount years			10.00			10.00

The table below summarizes the sensitivity of the fair value of commercial properties to changes in the capitalization and discount rates as at June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Fair value	Change in fair value	Fair value	Change in fair value
Rate sensitivity				
+ 75 basis points	\$ 19,650	\$ (3,170)	\$ 18,738	\$ (3,158)
+ 50 basis points	20,650	(2,170)	19,703	(2,193)
+ 25 basis points	21,700	(1,120)	20,755	(1,141)
Base rate	22,820	-	21,896	-
- 25 basis points	24,130	1,310	23,166	1,270
- 50 basis points	25,440	2,620	24,558	2,662
- 75 basis points	27,020	4,200	26,099	4,203

4. Acquisitions of investment property

The REIT completed the following investment property acquisitions during the six months ended June 30, 2019, which were accounted for as asset acquisitions and have contributed to the operating results effective from the acquisition date:

Property	Date of acquisition	Total acquisition cost	Mortgage financing	Interest rate and maturity	Ownership interest
370 & 380 Quarry Way SE, Calgary, AB	January 7, 2019	\$ 63,954	\$ 44,316	3.04% September 1, 2029	100%
740 & 750 York Mills Road and 17 Farmstead Road, Toronto, ON	May 1, 2019	76,804	23,392	2.82% February 1, 2021	50%
4850-4874 Côte-des-Neiges Road, Montreal, QC	May 7, 2019	137,532	67,500	3.42% July 25, 2029	50%
		\$ 278,290	\$ 135,208		

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Cash used in acquisitions of investment properties is as follows:

		June 30, 2019
Total acquisition cost	\$	(278,290)
Mortgage assumed		23,392
Deposits on acquisition		3,000
Working capital assumed		6,678
Cash consideration paid on close	\$	(245,220)

5. Prepaid expenses and other assets

		June 30, 2019		December 31, 2018
Prepaid expenses	\$	5,863	\$	1,145
Prepaid CMHC premiums		2,904		1,618
Restricted cash		1,084		792
Deposits		1,104		3,678
	\$	10,955	\$	7,233
Current	\$	7,974	\$	5,408
Non-current		2,981		1,825
	\$	10,955	\$	7,233

6. Resident and other receivables

		June 30, 2019		December 31, 2018
Current				
Resident receivables	\$	602	\$	478
Other receivables		526		589
Less: Allowance for credit losses		(44)		(78)
	\$	1,084	\$	989

There is no significant concentration of credit risk with respect to resident receivables as the REIT has a high volume of tenants with individually small monthly rent amounts.

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7. Class B LP Units

The change in and outstanding amount of Class B LP Units for the six months ended June 30, 2019 is as follows:

	Units	\$
Class B LP Units, December 31, 2018	20,859,410	\$ 385,899
<i>Non-cash movement</i>		
Fair value loss	-	6,466
Class B LP Units, June 30, 2019	20,859,410	\$ 392,365

For the three and six months ended June 30, 2019, distributions of \$2,137 and \$4,275 to Class B LP Unitholders were declared.

8. Class C LP Units

	June 30, 2019	December 31, 2018
Class C LP Units	\$ 225,226	\$ 227,721
Unamortized mark-to-market adjustments	3,076	3,316
	\$ 228,302	\$ 231,037
Current	\$ 5,148	\$ 5,499
Non-current	223,154	225,538
	\$ 228,302	\$ 231,037

The change in and outstanding amount Class C LP Units for the six months ended June 30, 2019 is as follows:

	Units	\$
Class C LP Units, December 31, 2018	22,978,700	\$ 231,037
<i>Cash flows</i>		
Distributions used to repay principal	-	(2,495)
<i>Non-cash movement</i>		
Amortization of mark-to-market adjustment	-	(240)
Class C LP Units, June 30, 2019	22,978,700	\$ 228,302

For the three and six months ended June 30, 2019, the REIT made distributions of \$1,769 and \$3,538 to Class C LP Unitholders that were accounted for as finance costs.

The mortgages of investment properties to which the distributions on the Class C LP Units relate bear a weighted average contractual interest rate of 3.16% (December 31, 2018 - 3.16%) and mature at various dates between 2023 and 2030.

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Distributions on Class C LP Units as at June 30, 2019, excluding unamortized mark-to-market adjustments, are due as follows:

2019	\$	2,524
2020		5,178
2021		5,341
2022		5,510
2023 and thereafter		206,673

Fair value for the Class C LP Units is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at June 30, 2019, the current market rates plus risk-adjusted spreads ranged from 2.36% to 3.18% (December 31, 2018 - 2.81% to 3.64%) and the fair value of the Class C LP Units was \$232,925 (December 31, 2018 - \$230,210) and is considered level 2 within the fair value hierarchy.

9. Secured debt

	June 30, 2019		December 31, 2018	
Mortgages ⁽¹⁾	\$	405,856	\$	273,574
Unamortized mark-to-market adjustment		1,889		2,038
Unamortized deferred financing costs		(196)		(11)
Total mortgages		407,549		275,601
Credit facility ⁽²⁾		24,348		35,925
	\$	431,897	\$	311,526
Current		19,452		5,822
Non-current		412,445		305,704
	\$	431,897	\$	311,526

⁽¹⁾ Mortgages are secured by investment properties, bear interest at a weighted average contractual interest rate of 3.20% (December 31, 2018 - 3.20%) and mature at various dates from 2020 through 2030.

⁽²⁾ The REIT has a committed credit facility of \$150,000 that is secured by several investment properties, matures on July 3, 2021 and will be used to fund working capital requirements, acquisitions and for general corporate purposes. At June 30, 2019, \$125,652 (December 31, 2018 - \$114,075) of this facility was available in accordance with its terms and conditions and \$24,348 (December 31, 2018 - \$35,925) was utilized. The credit facility bears interest at bankers' acceptance plus 1.75% or prime plus 0.75% and as at June 30, 2019, the weighted average variable interest rate was 4.14% (December 31, 2018 - 3.94%).

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Secured debt balances at June 30, 2019, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

2019	\$	3,762
2020		20,100
2021		53,806
2022		93,883
2023 and thereafter		258,653

Secured debt activity for the six months ended June 30, 2019 is as follows:

	Mortgages	Unamortized mark-to- market adjustment	Unamortized deferred financing costs	Credit facility	Total
Balance, December 31, 2018	\$ 273,574	\$ 2,038	\$ (11)	\$ 35,925	\$ 311,526
<i>Cash flows</i>					
Issued	111,816	-	(195)	91,423	203,044
Repayments	(2,926)	-	-	(103,000)	(105,926)
	108,890	-	(195)	(11,577)	97,118
<i>Non-cash movements</i>					
Assumed on asset acquisition	23,392	-	-	-	23,392
Deferred financing amortization	-	-	10	-	10
Amortization of mark-to-market adjustment	-	(149)	-	-	(149)
	23,392	(149)	10	-	23,253
Balance, June 30, 2019	\$ 405,856	\$ 1,889	\$ (196)	\$ 24,348	\$ 431,897

During the six months ended June 30, 2019, the REIT obtained two new mortgage financings and assumed one mortgage in connection with the investment property acquisitions. On March 6, 2019, the REIT obtained CMHC insured mortgage financing of \$44,316 bearing interest at 3.04% and maturing on September 1, 2029. On May 1, 2019, the REIT assumed mortgage financing of \$23,392, bearing interest at 2.82% and maturing on February 1, 2021. On May 7, 2019 the REIT secured mortgage financing of \$67,500, bearing interest at 3.42% and maturing on July 25, 2029.

As at June 30, 2019, the REIT was in compliance with all financial covenants relating to its debt obligations.

Fair value for mortgages is calculated based on current market rates plus risk-adjusted spreads on discounted cash flows. As at June 30, 2019, the current market rates plus risk-adjusted spreads ranged from 2.36% to 3.22% (December 31, 2018 - 2.81% to 3.38%) and the fair value of the mortgages was \$417,842 (December 31, 2018 - \$276,954) and is considered level 2 within the fair value hierarchy. Given the variable nature of the credit facility, its carrying value approximates its fair value and is considered level 2 within the fair value hierarchy.

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10. Related-party transactions

In the normal course of operations, the REIT enters into various transactions with related parties. In addition to the related party transactions disclosed elsewhere in these condensed consolidated interim financial statements, related party transactions include:

(a) Administrative Support Agreement

On July 3, 2018, the REIT and Minto Properties Inc. ("MPI") entered into a five year renewable Administrative Support Agreement ("ASA"). The ASA provides the REIT with certain advisory, transaction and support services, including clerical and administrative support, operational support for the administration of day-to-day activities of the REIT and office space. The REIT will pay MPI \$500 plus harmonized sales tax for the services for the period from July 3, 2018 to June 30, 2019. After the first year, these services will be provided on a cost recovery basis, subject to a maximum for all general and administrative expenses, excluding public company costs, of 32 bps of the gross book value of the REIT's assets.

For the three and six months ended June 30, 2019, the REIT incurred \$141 and \$282, inclusive of harmonized sales tax, for services rendered under the ASA.

(b) Due to related parties

Amounts due to related parties at June 30, 2019 includes \$713 and \$585 (December 31, 2018 - \$713 and \$602) relating to distributions payable to limited partnerships wholly owned by MPI on Class B LP Units and Class C LP Units respectively. Additionally, amounts due to MPI include \$1,790 (December 31, 2018 - \$1,643) for working capital, \$nil (December 31, 2018 - \$1,049) to reimburse transaction costs and \$nil (December 31, 2018 - \$282) in connection with the ASA.

(c) Revenue and expenses

- Included in rental revenue for the three and six months ended June 30, 2019 is \$144 and \$480 of revenue from MPI and its affiliates for rent paid for office space, furnished suites, parking and other revenue at certain REIT properties.
- Included in property operating expenses for the three and six months ended June 30, 2019 is \$278 and \$418 paid to MPI and its affiliates.
- For the three and six months ended June 30, 2019, compensation to key management personnel includes \$160 and \$325 paid to executives, unit-based compensation expense of \$72 and \$143 for executives and unit-based compensation expense for the grant of deferred units to Trustees in lieu of annual retainer and meeting fees of \$116 and \$235, respectively. Additional compensation to key management personnel for services provided to the REIT was paid by MPI and its affiliate.

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- Included in finance costs for the three and six months ended June 30, 2019 are distributions on Class B LP Units of \$2,137 and \$4,275 and on Class C LP Units of \$1,769 and \$3,538, paid or payable to limited partnerships wholly-owned by MPI.
- Reimbursement of \$315 to MPI for costs paid on behalf of the REIT.

(d) Distributions

For the three and six months ended June 30, 2019, distributions of \$1,243 and \$2,495 to a limited partnership wholly-owned by MPI were made to repay principal on Class C LP Units.

(e) Property Acquisition

On May 1, 2019, the REIT acquired MPI's 50% ownership interest in 740 & 750 York Mills Road and 17 Farmstead Road in Toronto, Ontario for acquisition costs of \$76,804. In connection with the acquisition, the REIT assumed a mortgage of \$23,392.

11. Accounts payable and accrued liabilities

	June 30, 2019		December 31, 2018	
Accounts payable	\$	4,094	\$	4,843
Accrued liabilities		7,782		3,422
Distributions payable		843		542
Unit-based compensation payable		943		521
	\$	13,662	\$	9,328
Current	\$	13,299	\$	9,152
Non-current		363		176
	\$	13,662	\$	9,328

12. Units

The following table presents the change in and outstanding amount of Units for the six months ended June 30, 2019:

	Units		\$
Authorized	Unlimited		
Units issued and outstanding:			
Balance, December 31, 2018	15,863,100	\$	212,078
Issued	8,809,000		165,172
Balance, June 30, 2019	24,672,100	\$	377,250

On April 15, 2019, the REIT completed the issuance of 8,809,000 Units from treasury at a price of \$19.60 per Unit for net proceeds of \$165,172 (the "Offering"). The Offering included 1,149,000 Units sold pursuant to the full exercise of an over-allotment option granted to the underwriters. Underwriters' fees and expenses relating to the offering were \$7,484.

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For the three and six months ended June 30, 2019, distributions to Unitholders of \$2,528 and \$4,154 were declared. This represents monthly distributions of \$0.03416 per Unit.

13. Segment reporting

The REIT owns, manages and operates multi-residential rental properties located in Canada, including three mixed-use residential apartment and commercial buildings. Management, when measuring the REIT's performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

14. Revenue from investment properties

The components of revenue from investment properties are as follows:

	Three months ended June 30, 2019		Six months ended June 30, 2019	
Rental revenue	\$	20,734	\$	38,289
Revenue from services		4,062		8,642
	\$	24,796	\$	46,931

15. Finance costs

Finance costs are comprised of the following:

	Three months ended June 30, 2019		Six months ended June 30, 2019	
Interest income	\$	(81)	\$	(92)
Interest expense on mortgages		2,951		5,197
Interest expense and standby fees on credit facility		350		1,320
Amortization of financing charges		51		102
Amortization of CMHC premiums		18		29
Amortization of mark-to-market adjustments		(194)		(388)
Interest expense and other financing charges		3,095		6,168
Distributions on Class B LP Units		2,137		4,275
Distributions on Class C LP Units		1,769		3,538
Finance costs - operations	\$	7,001	\$	13,981
Fair value (gain) loss on Class B LP Units		(30,872)		6,466
Finance costs	\$	(23,871)	\$	20,447

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16. Contingencies and commitments

The REIT is subject to claims and legal actions that arise in the ordinary course of business. It is the opinion of management that any ultimate liability that may arise from such matters would not have a significant adverse effect on the condensed consolidated interim financial statements of the REIT.

The REIT has committed to pay MPI for a certain investment property currently under reconstruction due to a fire. The purchase price for this investment property is expected to be at fair value and is payable once the construction at the investment property is complete and the investment property is stabilized. The maximum purchase price is \$8,356.

The REIT has an off-balance sheet arrangement at one of its properties in the Toronto area pursuant to which the City of Toronto provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under the arrangement. As of June 30, 2019, the remaining unforgiven balance of the loan is \$17,136 (December 31, 2018 - \$18,360). To date the REIT has met all conditions related to this forgivable loan and management intends to continue to meet these requirements.

The REIT has an off-balance sheet arrangement at one of its properties in the Calgary area pursuant to which the Province of Alberta provided a forgivable loan to support affordable housing at this property. Provided that certain conditions are met, the REIT will not need to make repayments under this arrangement. As of June 30, 2019, the remaining unforgiven balance of the loan is \$4,368 (December 31, 2018 - \$4,704). To date, the REIT has met all conditions related to this forgivable loan and management intends to continue to meet these requirements.

The REIT has committed to advance up to \$30,000 of financing to support MPI's planned redevelopment of a commercial property located in Ottawa, Ontario into a mixed-use multi-residential rental and retail property. The financing, which is expected to be advanced starting in the fourth quarter of 2019, will bear an interest rate of 6% per annum and will mature in March 2022 and will be subordinate to senior construction financing. The REIT intends to provide the financing through draws on its credit facility. In connection with this financing, the REIT will have the exclusive option to purchase the property upon stabilization at 95% of fair market value.

17. Risk management

The REIT's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk.

(i) Interest rate risk

As the REIT's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the REIT's income.

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The majority of the REIT's financial liabilities are fixed rate instruments. The REIT faces interest rate risk on its fixed rate debt due to the expected requirement to refinance such debt as it matures. In addition, there is interest rate risk associated with the REIT's variable rate financial liabilities.

The REIT manages interest rate risk by structuring its financings to stagger the maturities of its debt, thereby mitigating its exposure to interest rate and other credit market fluctuations.

For the portion of the REIT's financial liabilities that are floating rate instruments, from time to time the REIT may enter into interest rate swap contracts or other financial instruments to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

As at June 30, 2019, the REIT has a variable rate credit facility of \$150,000 with an outstanding balance of \$24,348 (December 31, 2018 - \$35,925). A 1% change in prevailing interest rates would change annualized interest charges incurred by \$243.

(ii) Currency risk

The REIT's financial statement presentation currency is Canadian dollars. Operations are located in Canada and the REIT has limited operational transactions in foreign-denominated currencies. As such, the REIT has no significant exposure to currency risk.

(iii) Other price risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

The REIT is exposed to other price risk on its Class B LP Units. A 1% change in prevailing market price of the REIT Units as at June 30, 2019 would have a \$3,924 (December 31, 2018 - \$3,859) change in the fair value of the Class B LP Units.

Credit risk

Credit risk is the risk that tenants and/or debtors may experience financial difficulty and be unable to fulfil their lease commitments or loan repayments. An allowance for impairment is taken for all expected credit losses.

The REIT's risk of credit loss is mitigated through diversification. The REIT's residential rental business is carried on in the Ottawa, Toronto, Calgary, Edmonton and Montreal regions. The nature of this business involves a high volume of tenants with individually small monthly rent amounts. The REIT monitors the collection of residential rent receivables on a regular basis with strictly followed procedures designed to minimize credit loss in cases of non-payment.

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Liquidity risk

Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The REIT mitigates liquidity risk by staggering the maturity dates of its borrowing, maintaining borrowing relationships with various lenders, proactively renegotiating expiring credit agreements well in advance of the maturity date and by maintaining sufficient availability on its lines of credit.

As at June 30, 2019, current liabilities were \$48,239 (December 31, 2018 - \$31,532), exceeding current assets of \$14,749 (December 31, 2018 -\$7,289), resulting in a working capital deficiency of \$33,490 (December 31, 2018 - \$24,243). The REIT expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash flow generated from property operations, (ii) property-specific mortgages, and (iii) credit facility, under which \$125,652 (December 31, 2018 - \$114,075) was available and undrawn at June 30, 2019. In addition, subject to market conditions, the REIT may seek to raise funding through equity financing.

The REIT has a committed credit facility for general corporate and working capital purposes. The committed credit facility consists of the following:

	June 30, 2019	December 31, 2018
Committed	\$ 150,000	\$ 150,000
Available	125,652	114,075
Utilized	24,348	35,925

An analysis of the contractual cash flows associated with the REIT's material financial liabilities is set out below:

	2019	2020	2021	2022	2023 and thereafter	Total
Mortgages	\$ 3,762	\$ 20,100	\$ 29,458	\$ 93,883	\$ 258,653	\$ 405,856
Credit facility	-	-	24,348	-	-	24,348
	3,762	20,100	53,806	93,883	258,653	430,204
Class C LP Units	2,524	5,178	5,341	5,510	206,673	225,226
Interest obligation	9,852	20,303	18,798	16,920	49,911	115,784
Tenant rental deposits	7,252	180	-	-	36	7,468
Due to related parties	3,088	-	-	-	-	3,088
Accounts payable and accrued liabilities	13,299	363	-	-	-	13,662
	\$ 39,777	\$ 46,124	\$ 77,945	\$ 116,313	\$ 515,273	\$ 795,432

The contractual cash flows do not include any unamortized mark-to-market adjustments or unamortized deferred financing costs.

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18. Capital risk management

The REIT's capital consists of Class B LP Units, Class C LP Units, mortgages, a credit facility and Unitholders' equity. The REIT invests its capital to achieve its business objectives and to generate an acceptable long-term return to the REIT's Unitholders. Primary uses of capital include property acquisitions, development activities, capital improvements and debt principal repayments.

The REIT's principal objective with respect to debt financing is to minimize its overall borrowing costs while maintaining balance in its maturity schedule, diversity in its lender base and having sufficient liquidity and flexibility to meet current obligations and to pursue new projects. The REIT is subject to certain financial covenants and is in compliance with these covenants.

The actual level and type of future financings to fund the REIT's capital obligations will be determined based on prevailing interest rates, various costs of debt and/or equity capital, capital market conditions and management's general view of the appropriate leverage in the business.

The components of the REIT's capital as at June 30, 2019 and December 31, 2018 are set out in the table below:

	June 30, 2019		December 31, 2018	
Liabilities (principal amounts outstanding)				
Class B LP Units	\$	392,365	\$	385,899
Class C LP Units		225,226		227,721
Mortgages		405,856		273,574
Credit facility		24,348		35,925
		1,047,795		923,119
Unitholders' equity		449,417		258,252
	\$	1,497,212	\$	1,181,371

19. Supplemental cash flow disclosures

Change in non-cash working capital comprises the following:

Six months ended	June 30, 2019	
Prepaid expenses and other assets	\$	(5,463)
Resident and other receivables		(95)
Tenant rental deposits		34
Due to related parties		(1,201)
Accounts payable and accrued liabilities		(4,473)
	\$	(11,198)

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20. Unit-based compensation

Executives

The value of unit-based compensation expense recorded for the six months ended June 30, 2019 is as follows:

		\$
Balance, December 31, 2018	\$	176
Unit-based compensation expense		143
Fair value loss		44
Balance, June 30, 2019	\$	363

For the three and six months ended June 30, 2019, the REIT recognized unit-based compensation expense of \$72 and \$143 and fair value (gain) loss of \$(1) and \$44, respectively.

As of June 30, 2019, 49,264 (December 31, 2018 - 48,742) deferred units were granted to executives.

Trustees

A summary of the deferred units granted and the value of unit-based compensation expense recorded during the period and as at June 30, 2019 is presented below.

	Units		\$
Balance, December 31, 2018	18,652	\$	345
Granted and vested	12,138		235
Balance, June 30, 2019	30,790	\$	580

For the three and six months ended June 30, 2019, the REIT recognized unit-based compensation expense of \$116 and \$235 and fair value gain of \$(35) and \$nil.

21. Subsequent events

On August 1, 2019, the REIT acquired MPI's 40% ownership interest in a 750-suite multi-residential rental property located in Toronto, Ontario for a purchase price of \$131,214, with the REIT assuming a mortgage term loan of \$39,520, with a variable interest rate of bankers' acceptance plus 1.85% and maturity date of April 1, 2026 and an interest rate swap that fixes the interest rate at 3.375%. The remaining purchase price was satisfied by the issuance of 2,806,122 Class B LP Units at \$19.60 per unit and the REIT drawing on its existing credit facility.

On August 12, 2019, the Board of Trustees approved a 7.4% increase to the REIT's annual distribution from \$0.4100 per Unit to \$0.4404 per Unit. The monthly distribution will be \$0.03670 per Unit, up from \$0.03416 per Unit. The increase will be effective for the REIT's August 2019 cash distribution, to be paid on September 16, 2019.

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22. Supplementary information

IFRS does not require disclosure of comparative information related to the financial position and performance of the acquiree prior to a business combination. The following information is being provided to comply with the requirements of Ontario Securities Commission staff notice 52-720.

The following figures have been obtained on a carve-out basis from the financial statements of MPI and present the financial performance of the Initial Portfolio as if these properties had been accounted for on a stand-alone basis with estimates, where necessary, for certain allocations. The basis used is consistent with the presentation of the Annual Carve-out Financial Statements for the years ended December 31, 2017, 2016 and 2015 presented in the REIT's initial public offering prospectus dated June 22, 2018.

At December 31, 2017, the Initial Portfolio consisted of 22 multi-residential rental properties, comprising an aggregate 4,279 suites located in Toronto, Ottawa, Calgary and Edmonton, including two mixed-use residential apartment and commercial buildings. These properties, together with their related assets and liabilities, were acquired by the REIT on July 2, 2018.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows of these properties from legal entities controlled by MPI, these combined carve-out results of operations are not necessarily indicative of the results that would have been attained if these properties had been operated as a separate legal entity during the period presented. All transactions between properties have been eliminated upon combination.

	Three months ended June 30, 2018		Six months ended June 30, 2018	
Revenue from investment properties	\$	20,181	\$	40,052
Property operating costs		4,349		8,257
Other operating expenses		3,775		8,124
General and administrative expenses		1,280		2,391